Public Post-Secondary Institutions Audited Financial Statements

Public Colleges and
Technical Institutes -
For the Year Ended
June 30, 2003

Universities and Banff Centre
for Continuing Education -
For the Year Ended
March 31, 2004

Alberta
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Public Post-Secondary Institutions Audited Financial Statements

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* These financial statements were unavailable at the time of printing.

ALBERTA COLLEGE OF ART AND DESIGN

FINANCIAL STATEMENTS

JUNE 30, 2003

Auditor's Report

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Statement of Operations

Statement of Changes in Net Assets

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AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Governors of the
Alberta College of Art and Design

I have audited the statement of financial position of the Alberta College of Art and Design as at June 30, 2003 and the statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
October 10, 2003

ALBERTA COLLEGE OF ART AND DESIGN
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2003

	2003	2002
ASSETS		
Current:		
Cash and investments (Note 3)	$ 3,351,622	$ 2,378,840
Accounts receivable and prepaid expenses	86,594	529,048
Inventories	571,784	429,855
	4,010,000	3,337,743
Non-current:		
Cash and investments (Note 3)	2,842,909	2,888,178
Capital contributions receivable (Note 17)	609,707	760,939
Capital assets (Note 5)	7,170,657	7,945,630
	$14,633,273	$14,932,490
LIABILITIES AND NET ASSETS		
Current:		
Accounts payable	$ 417,862	$ 594,008
Deferred tuition fees	124,728	80,540
Deferred contributions (Note 7)	801,006	888,836
Accrued vacation	735,811	667,558
Accrued benefits (Note 14)	166,138	40,154
	2,245,545	2,271,096
Non-current:		
Accrued benefits (Note 14)	82,953	75,483
Unamortized deferred capital contributions (Note 8)	6,656,885	7,390,348
Deferred capital contributions (Note 7)	1,401,054	1,462,166
	10,386,437	11,199,093
Net assets:		
Unrestricted	1,150,916	831,729
Internally restricted (Note 9)	790,587	610,000
Invested in capital assets	513,772	555,282
	2,455,275	1,997,011
Endowments (Note 10)	1,791,561	1,736,386
	4,246,836	3,733,397
	$14,633,273	$14,932,490

The accompanying notes are part of these financial statements

ALBERTA COLLEGE OF ART AND DESIGN
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2003

	2003		2002
	Budget (Note 15)	Actual	Actual
Revenue:			
Grants (Note 11)	$ 7,710,155	$ 8,021,544	$ 7,599,967
Tuition fees	3,062,800	3,040,840	2,803,210
Continuing education fees	777,300	841,156	698,950
Bookstore sales	700,000	720,354	707,478
Sales, rentals and services	124,000	150,098	138,223
Donations, gifts in kind and fundraising events	778,415	824,510	405,639
Scholarships	32,300	44,093	25,050
Investment income (Note 4)	59,000	197,617	154,870
Gain on disposal of capital assets	-	-	3,114
Earned capital contributions (Note 8)	818,000	794,575	815,290
	14,061,970	14,634,787	13,351,791
Expense (Note 12):			
Salaries, benefits and allowances (Note 13)	$ 8,521,967	$ 8,501,930	$ 7,782,985
Supplies and services	3,622,221	3,412,181	3,449,436
Bookstore - cost of sales	420,000	475,822	465,679
Fundraising projects	571,415	700,766	473,090
Scholarships	52,000	123,317	88,338
Amortization	962,000	994,942	1,006,863
	14,149,603	14,208,958	13,266,391
Excess (deficiency) of revenue over expense	$ (87,633)	$ 425,829	$ 85,400

ALBERTA COLLEGE OF ART AND DESIGN
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2003

	2003						2002
	Unrestricted Net Assets	Internally Restricted Net Assets	Investment in Capital Assets	Total Operating Net Assets	Endowments	Total Net Assets	Total Net Assets
Excess of revenue over expense	$ 425,829	$ -	$ -	$ 425,829	$ -	$ 425,829	$ 85,400
Transfer to internally restricted	(180,587)	180,587	-	-	-	-	-
Endowment contributions and capitalized interest (Note 10)	-	-	-	-	65,389	65,389	144,194
Transferred to deferred contributions (Note 10)	-	-	-	-	(10,214)	(10,214)	(51,162)
Internally funded:							
Purchase of capital assets	(126,422)	-	126,422	-	-	-	-
Amortization of capital assets	200,367	-	(200,367)	-	-	-	-
Donated artwork	-	-	32,435	32,435	-	32,435	7,000
Increase (decrease) in net assets	319,187	180,587	(41,510)	458,264	55,175	513,439	185,432
Balance, beginning of year	831,729	610,000	555,282	1,997,011	1,736,386	3,733,397	3,547,965
Balance, end of year	$ 1,150,916	$ 790,587	$ 513,772	$2,455,275	$ 1,791,561	$ 4,246,836	$ 3,733,397

ALBERTA COLLEGE OF ART AND DESIGN
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2003

	2003	2002
Operating activities:		
Excess of revenue over expense	$ 425,829	$ 85,400
Non-cash transactions:		
Earned Capital Contributions (Note 8)	(794,575)	(815,290)
Amortization	994,942	1,006,863
(Gain) on disposal of capital assets	-	(3,114)
	626,196	273,859
Changes in non-cash working capital (Note 16)	274,974	156,265
Cash generated from operating activities	901,170	430,124
Investing activities:		
Purchase of capital assets:		
Internally funded	(126,422)	(144,920)
Externally funded	(61,112)	(710,773)
Donated artwork	(32,435)	(7,000)
Proceeds on disposal of capital assets	-	15,410
Decrease (increase) in non-current cash and investments	45,269	(621,455)
Increase in accrued benefits	7,470	54,450
Cash used in investing activities	(167,230)	(1,414,288)
Financing activities:		
Decrease in capital contributions receivable	151,232	86,520
(Decrease) in construction payables	-	(369,768)
Capital contributions received	-	910,620
Increase in endowments, net	55,175	93,032
Donated artwork	32,435	7,000
Cash provided from financing activities	238,842	727,404
Net increase (decrease) in current cash and investments	972,782	(256,760)
Current cash and investments, beginning of year	2,378,840	2,635,600
Current cash and investments, end of year	$ 3,351,622	$ 2,378,840

ALBERTA COLLEGE OF ART AND DESIGN

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2003

Note 1 Authority and Purpose

The Alberta College of Art and Design ("the College") operates under the authority of the Colleges Act, Chapter C-19, Revised Statutes of Alberta 2000. The College is a registered charity and is exempt from payment of income tax.

The College is a public institution for education in visual arts, design and digital media, that delivers both post-secondary degree and diploma programs, and adult and children's continuing education programming.

The College promotes cultural and artistic awareness in the College and the community through art exhibitions, public lecture programs and its collection of visual art and library resources.

Note 2 Summary of Significant Accounting Policies

a) General

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates which may vary from actual results. The following accounting policies and reporting practices are considered significant.

b) Inventories

Inventories held for resale are valued at the lower of cost and net realizable value. Inventories held for consumption are valued at the lower of cost and replacement value.

c) Investments

Investments are recorded at cost. Gains are recognized at realization. Losses are recognized at realization or when there is an other than temporary impairment in the value of an investment.

Note 2 Summary of Significant Accounting Policies (continued)

d) Capital Assets

The land and building which house the College are owned by the Southern Alberta Institute of Technology (the "Institute") and are occupied by the College under a facility license granted by the Institute. The term of the license is through a renewable contractual agreement between the College and the Institute determined at the pleasure of the Minister of Learning.

The facility license providing the right to use the building has been recorded as an asset at fair value at the time the license was granted. Fair value is estimated as the building's amortized replacement cost based on an independent appraisal as at April 1982.

Subsequent additions to the facility are recorded as leasehold improvements at cost.

Furnishings and equipment are recorded at cost, except for donated assets which are recorded at fair value.

Capital assets, except for the artwork collection, are amortized on a straight-line basis over the following periods:

Facility license	28 years
Leasehold improvements	remaining life of the building
Furnishings and equipment	5-10 years

The artwork collection is made up of numerous pieces of art that are held for display in the College and used for educational purposes. The pieces in the collection are recorded at the purchase price or at the appraised value at the time of donation and are not amortized.

e) Revenue Recognition

Unrestricted contributions and investment income are recognized in the period when receivable.

Amounts received for fees and sale of goods and services are recognized as revenue at the time the goods are delivered or the services are provided.

Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

Note 2 Summary of Significant Accounting Policies (continued)

e) Revenue Recognition (continued)

Externally restricted non-capital contributions and interest are deferred and are recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for purposes designated by the contributor.

Externally restricted contributions containing stipulations that the amounts should be retained as net assets or that the contributions should not be expended are recorded as direct increases in net assets. Such stipulations would include contributions made for endowment purposes or to be used to acquire non-amortizable property.

Externally restricted capital contributions and interest are recorded as deferred capital contributions until the amount is invested in capital assets. Amounts invested representing externally funded capital assets are then transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded.

f) Employee Future Benefits

The College participates with other employers in the Local Authorities Pension Plan (the "Pension Plan"). This Pension Plan is a multi-employer defined benefit pension plan that provides pensions for the College's participating employees based on their years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year based on rates which are expected to provide for benefits payable under the Local Authorities Pension Plan. The College's portion of the pension plan's surplus or deficit is not recorded by the College.

The College's Board of Governors has approved early retirement and voluntary severance plans which provide employees leaving the employment of the College under specific conditions with bridge payments, lump sum payments in lieu of benefits or continued benefits for specific periods. The bridge payments, lump sum benefit payments and liabilities for future benefit payments are recorded by the College in the year the retirement application is approved.

Note 2 Summary of Significant Accounting Policies (continued)

f) Employee Future Benefits (continued)

The College pays or shares the premiums for certain benefits for employees on long term disability. The present value of the estimated costs of these premiums are recorded at the time the College becomes obligated under the plan.

g) Financial Instruments

The carrying value of financial assets and financial liabilities are considered to approximate fair value unless otherwise disclosed.

Note 3 Cash and Investments, Current and Non-Current

The Board of Governors, through its Finance Committee monitors the performance of the investment portfolio. Under the investment policy the prime objectives of the investment fund are the generation of income, conservation of capital and growth of capital. The prime constraints that guide the investment policy are risk aversion and liquidity.

Realized return includes interest income and gains and losses on disposals of investments. In 2003, the cash and investments obtained a realized return of 3.6% (2002 – 4.43%).

Investments are currently held as money market, bond and equity mutual funds managed through an investment advisor. Cash and investments are summarized as follows:

	2003			2002		
	Cost	Market	Yield to Market	Cost	Market	Yield to Market
Cash	$3,803,491	$3,803,491		$3,157,184	$3,157,184	
Mutual funds:						
Money market fund A/R	36,567	36,567		40,125	40,125	
Bond fund	892,255	953,286	4.40%	849,179	856,948	5.83%
Pooled equity account	1,462,218	1,415,117	3.03%	1,220,530	1,196,108	3.43%
Total cash and investments	6,194,531	$6,208,461		5,267,018	$5,250,365	
Held as non-current assets	2,842,909			2,888,178		
Held as current assets	$3,351,622			$2,378,840		

Note 3 Cash and Investments, Current and Non-Current (continued)

The carrying value of the pooled equity accounts is in excess of fair market value at June 30, 2003. The carrying value would be reduced to fair market value in those circumstances where the decline in value is other than temporary. In management's best judgment the decline in value is temporary.

Cash and investments held as non-current represent funds not available for current operations and comprise endowments and deferred capital contributions restricted for the purchases of capital assets as follows:

	2003	2002
Endowments (Note 10)	$ 1,791,561	$ 1,736,386
Deferred capital contributions	791,348	966,792
Internally restricted for capital (Note 9)	260,000	185,000
	$ 2,842,909	$ 2,888,178

Note 4 Investment Income

	2003	2002
Investment income on resources held for endowment (Note 10)	$ 62,043	$ 138,532
Capital gain on sale of mutual funds (endowed funds)	145	7,091
Investment income on unrestricted resources	93,120	74,858
Total investment income	155,308	220,481
Amounts credited to endowment principle (note 10)	(15,496)	(36,406)
Transferred to deferred capital contributions	(4,011)	-
Interest (deferred) recognized in the period	61,816	(29,205)
	$ 197,617	$ 154,870

Note 5 Capital Assets

	2003			2002
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Facility license	$ 12,207,000	$ 7,847,588	$ 4,359,412	$ 4,795,352
Furniture and equipment	3,898,650	3,287,800	610,850	814,273
Leasehold improvements	3,027,936	1,183,983	1,843,953	2,011,997
Art collection	356,442	-	356,442	324,008
	$ 19,490,028	$ 12,319,371	$ 7,170,657	$ 7,945,630

During the year, the College received donated assets valued at $32,435 (2002 - $7,000).

Note 6 Lease Commitment

As at June 30, 2003 the Alberta College of Art and Design had total lease commitments in the amount of $59,613 (2002 - Nil).

The College leases office equipment under operating leases that expire on various dates to 2009. The aggregate amounts payable for the unexpired terms of the leases are as follows:

2004	$46,004
2005	$ 5,371
2006	$ 2,535
2007	$ 2,535
2008	$ 2,535
2009	$ 633
	$59,613

Note 7 Deferred Contributions and Deferred Capital Contributions

	2003	2002
Contributions received during the year:		
Capital grants	$ -	$ 1,286,000
Capital donations	-	32,650
Donations - gifts in kind	518,860	118,714
Donations - Scholarships	241,602	29,377
Non-capital grants	367,145	782,662
Non-capital donations	233,901	455,841
Restricted investment income	62,188	145,623
	1,423,696	2,850,867
Transferred to revenue:		
Operating grants	(522,930)	(946,999)
Donations, gifts in kind and fundraising events	(824,510)	(405,639)
Scholarships	(44,093)	(25,050)
Investment income	(104,497)	(80,012)
	(1,496,030)	(1,457,700)
Transferred to:		
Unamortized deferred capital contributions (Note 8)	(61,112)	(710,773)
Endowments	(15,496)	(110,286)
	(76,608)	(821,059)
(Decrease) increase during the year	(148,942)	572,108
Balance, at beginning of year	2,351,002	1,778,894
Balance, end of year	$ 2,202,060	$ 2,351,002

The balance is restricted for:

	2003	2002
Capital	$ 1,401,054	$ 1,462,166
Non-capital		
HRDC and Province of Alberta and conditional grant	382,449	526,538
Scholarships	352,234	216,541
Other	66,323	145,757
	801,006	888,836
	$ 2,202,060	$ 2,351,002

Note 8 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the externally funded portion of capital assets, which will be recognized as earned capital contributions in future periods. Changes in the unamortized deferred capital contributions balance are as follows:

	2003	2002
Balance at beginning of year	$ 7,390,348	$ 7,494,865
Add: transfers from deferred contributions (Note 7)	61,112	710,773
Less: amount earned and transferred to revenue	(794,575)	(815,290)
Balance at end of year	$ 6,656,885	$ 7,390,348

Note 9 Internally Restricted Net Assets

The Board of Governors has placed internal restrictions on operating net assets as follows:

	Opening	Expended	Appropriations	Closing
Non capital:				
Human resource infrastructure	$ 300,000	$ -	$ -	$ 300,000
Marketing, recruitment and promotion	50,000	48,590	50,000	51,410
Utilities	-	-	93,000	93,000
Website development and maintenance	60,000	23,823	-	36,177
College expansion initiative	15,000	-	35,000	50,000
	425,000	72,413	178,000	530,587
Capital:				
Equipment renewal plan	140,000	-	60,000	200,000
Administrative System Applications	45,000	-	15,000	60,000
	185,000	-	75,000	260,000
	$ 610,000	$ 72,413	$ 253,000	$ 790,587

Note 10 Endowments

	2003	2002
Balance at beginning of year	$ 1,736,386	$ 1,643,354
Donations received	49,893	107,788
Capitalized investment income	15,496	36,406
Transfer to deferred contributions	(10,214)	(51,162)
	55,175	93,032
Balance at end of year	$ 1,791,561	$ 1,736,386

During the year, investment income earned on endowments was recorded according to stipulations as follows:

	2003	2002
Income earned during the year (Note 4)	$ 62,188	$ 145,623
Recognized as revenue	104,497	80,012
Capitalized as endowment principal	15,496	36,406
Transferred to deferred capital contributions	4,011	-
Deferred (prior years deferred recognized), net	(61,816)	29,205
	$ 62,188	$ 145,623

Note 11 Grants

	2003	2002
Province of Alberta:		
Base operating	$ 6,910,898	$ 6,490,618
Access funding	698,961	550,800
Energy and Enrolment grants	-	127,805
Community Lottery Board	11,207	111,784
Infrastructure renewal	250,805	143,937
Faculty/Staff Retention Grant	54,712	37,467
AHRE Disability Training grants	20,676	34,641
Performance funding	-	34,544
Curriculum Redevelopment Funding	3,481	25,323
Alberta Foundation for the Arts	21,116	21,116
Alberta Opportunity Bursary	13,420	11,131
Human Resources grants	-	6,051
Other	26,756	1,450
	8,012,032	7,596,667
Other:		
Canada Council	3,800	3,300
Other	5,712	-
	$ 8,021,544	$ 7,599,967

Note 12 Expense by Function

	2003	2002
Expense:		
Instruction	$ 5,600,778	$ 5,027,615
Institutional support	3,673,759	3,770,830
Academic support	2,142,770	1,962,629
Amortization	994,942	1,006,863
Student services	785,934	784,419
Other costs	740,070	714,035
Minor capital projects	270,705	-
	$ 14,208,958	$ 13,266,391

Instruction encompasses all educational and instructional programs, including credit programming and continuing education. Academic support includes all activities that directly support instruction, including Library, Woodshop, Gallery and Academic Administration. Student services include all activities or services provided to students.

Institutional support includes all activities that provide institution-wide administrative and clerical support to institutional operations as well as college fundraising, communications and development expense. A significant component of fundraising and development expenses is an annual major fundraising event, the total cost of which is included in institutional support costs.

Other costs include the bookstore cost of sales and direct bookstore operations costs. Direct salary costs incurred by this department of the College include support for college wide purchase, receipt and distribution of all materials for instructional, operational and retail purposes.

Note 13 Salaries, Benefits and Allowances

Directive 12/98 from the Treasury Board of the Province of Alberta requires the College to disclose certain salaries and benefits. Those salaries and benefits are as follows:

	2003			2002
	Salary[a]	Benefits and Allowances[c]	Total	Total
Board of Governors				
Chair	$ -	$ -	$ -	$ -
Members	462	-	462	1,361
President	126,787	47,257	174,044	163,112
Vice President, Finance	88,733	30,512	119,245	111,919
Vice President, Academic[b]	-	-	-	-
Vice President, Development	72,720	12,173	84,893	77,846
Director, Student Services	73,790	12,166	85,956	80,102
	$ 362,492	$ 102,108	$ 464,600	$ 434,340

(a) Salary includes regular base pay, honoraria, and other direct remuneration.

(b) The Vice President, Academic position was vacant during both fiscal years.

(c) Benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, employment insurance, health care, extended health and dental coverage, group life insurance, accidental disability and dismemberment and workers compensation plans. Benefits and allowances also include contractual allowances paid to the President and Vice President, Finance and the 2002-03 accrual for an unfunded supplemental pension plan for the President.

Note 14 Employee Future Benefits

The College Board of Governors have provided provisions for early retirement plans for college employees. The College also provides a supplemental pension plan for the President. The College is also required, under the terms of its long-term disability plan, to continue payment of the employer's portion of health benefits and LAPP pension premiums while an employee is on long-term disability. The College's liability and expense under these plans included in the 2003 financial statements is $249,091 (2002 - $115,637).

Note 14 Employee Future Benefits (continued)

The liability for these benefits has been calculated using average CPI increases since 1992, this future dollar value amount is discounted at a rate of 5%.

The pension expense recorded in these financial statements for the Local Authorities Pension Plan is equivalent to the College's annual contributions payable of $310,283 for the year ended June 30, 2003 (2002 - $271,551).

At December 31, 2002, the Local Authorities Pension Plan reported an actuarial deficiency of $444,980,000 (2001 – actuarial surplus of $634,960,000). The College's portion of the pension plan's actuarial surplus or deficiency is not recorded by the College.

Note 15 Budget

The budget was approved by the Board of Governors in May 2002 and the revised budget was approved February 2003.

	Original Budget	Revised Budget
Revenue:		
Grants	$ 7,804,534	$ 7,710,155
Tuition fees	3,137,114	3,062,800
Continuing education fees	831,665	777,300
Bookstore sales	695,000	700,000
Sales, rentals and services	140,000	124,000
Donations, gifts in kind and fundraising	773,700	778,415
Scholarships	35,500	32,300
Investment income	80,000	59,000
Earned capital contributions	818,000	818,000
	14,315,513	14,061,970
Expense:		
Salaries, benefits and allowances	8,487,934	8,521,967
Supplies and services	3,611,261	3,622,221
Bookstore - cost of sales	420,000	420,000
Fundraising projects	757,834	571,415
Scholarships	52,000	52,000
Amortization	962,000	962,000
	14,291,029	14,149,603
Excess (deficiency) of revenue over expense	$ 24,484	$ (87,633)

Note 16 Changes in Non-Cash Working Capital

	2003	2002
Decrease (increase) in accounts receivable and prepaid expenses	$ 442,454	$ (404,326)
(Increase) in inventories	(141,929)	(54,931)
(Decrease) increase in accounts payable	(176,146)	195,569
Increase (decrease) in deferred tuition fees	44,188	(12,839)
(Decrease) increase in deferred contributions	(87,830)	372,259
Increase in accrued vacation	68,253	84,313
Increase (decrease) in accrued benefits	125,984	(23,780)
	$ 274,974	$ 156,265

Note 17 Related Party Transactions

a) Province of Alberta

The College is a Provincial Corporation as all members of the Board of Governors are appointed either by statute or by a combination of orders by the Lieutenant Governor in Council and the Minister of Learning. Transactions between the College and the Province are disclosed as follows:

	2003		2002	
	Revenue	Deferred Contributions and UDCC	Revenue	Deferred Contributions and UDCC
Operating grants	$ 6,910,898	$ -	$ 6,490,618	$ -
Access funding	691,961	226,361	550,800	-
Infrastructure renewal (IRE) grants	-	1,581,185	110,400	1,119,770
Energy grant	-	-	76,805	-
Unfunded enrolment growth	-	-	51,000	-
Faculty/staff retention	-	198,835	37,467	114,167
AHRE disability training grants	13,955	6,721	34,641	6,721
Performance funding	-	-	34,544	-
Alberta Foundation for the Arts	21,116	-	21,116	-
Community Lottery Board	-	122,569	12,411	93,560
Other	5,000	46,993	1,450	-
Alberta Opportunity Bursary	-	19,356	-	-
Total from deferred contributions	369,102	(369,102)	175,415	(175,415)
	$ 8,012,032	$ 1,832,918	$ 7,596,667	$ 1,158,803

b) Southern Alberta Institute of Technology

The land and building which house the College are owned by the Southern Alberta Institute of Technology (the "Institute") and are occupied by the College under a facility license granted by the Institute and continuing occupancy at the pleasure of the Minister of Learning. The College and the Institute are parties to letters of agreement for the provision of utilities, maintenance and systems support. Amounts paid or payable to the Institute in 2003 for these purposes totalled $960,287 (2002 - $1,053,580).

Note 17 Related Party Transactions (continued)

The Institute received capital grants from the province that are designated for the building occupied by the College. An amount of $151,232 was expended in the current year from amounts held by the Institute for the building. The amounts were used for minor capital renovation purposes. The Institute still holds $609,707 (2002 - $760,939) of government grant funds that are to be used for the maintenance and repair of the building. The amount has been recorded as a capital contributions receivable. These transactions were entered into on the same business terms as with non-related parties and are recorded at fair value.

c) Bow Valley College

The Alberta College of Art and Design and Bow Valley College collaborate in offering Artstream, a base funded program, which provides academic upgrading and foundation art courses to students in preparation for entry into the College's diploma or degree programs. Amounts paid to Bow Valley College in 2003 for these purposes totalled $72,701 (2002 - $52,003). These transactions were entered into on the same business terms as with non-related parties and are recorded at fair value.

d) Other

Transactions entered into between the College and Red Deer College are recorded at fair value. Transactions between the College and members of the Board are also recorded at fair value.

Note 18 Comparative Figures

Certain 2002 comparative figures have been reclassified to conform to 2003 presentation.

Note 19 Approval of Financial Statements

These financial statements were approved by the Board of Governors at the November 6, 2003 meeting of the Board.

BOW VALLEY COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2003

Auditor's Report

Consolidated Statement of Financial Position

Consolidated Statement of Operations

Consolidated Statement of Changes in Net Assets

Consolidated Statement of Cash Flows

Notes to the Consolidated Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Governors of Bow Valley College

I have audited the consolidated statement of financial position of the Bow Valley College as at June 30, 2003 and the consolidated statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
October 14, 2003

BOW VALLEY COLLEGE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2003

	2003	2002
Assets		
Current:		
Cash and short-term investments (Note 4)	$ 2,810,475	$ 4,789,425
Accounts receivable	3,277,602	1,893,197
Due from the Ministry of Alberta Learning	-	83,787
Inventories (Note 5)	513,102	593,363
Prepaid expenses	106,425	103,093
	6,707,604	7,462,865
Non- current cash and investments (Note 4)	9,722,992	6,772,390
Capital assets (Note 6)	22,489,397	23,394,376
	$ 38,919,993	$ 37,629,631
Liabilities and Net Assets		
Current:		
Accrued vacation pay	$ 1,751,452	$ 1,478,654
Accounts payable and accrued liabilities	1,533,454	1,574,331
Unearned revenue (Note 7)	1,624,775	1,425,811
Deferred contributions (Note 8)	1,232,404	1,458,520
Lease obligation (Note 12)	149,531	63,443
	6,291,616	6,000,759
Deferred capital contributions (Note 9)	3,811,834	3,937,422
Unamortized deferred capital contributions (Note 10)	18,149,714	19,396,207
Long-term lease obligation (Note 12)	298,553	224,862
	28,551,717	29,559,250
Net assets:		
Unrestricted	565,519	1,525,549
Internally restricted (Note14)	5,636,093	2,824,928
Invested in capital assets (Note 23)	3,891,599	3,709,864
Endowments (Note 3)	275,065	10,040
	10,368,276	8,070,381
	$ 38,919,993	$ 37,629,631

The accompanying notes are part of these financial statements.

BOW VALLEY COLLEGE

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED JUNE 30, 2003

	2003	2002
Revenue:		
Provincial government contributions and grants (Note 15)	$ 15,242,014	$ 14,795,953
Tuition fees	9,461,002	7,002,677
Contract programs and other grants (Note 16)	7,386,560	6,572,299
Ancillary and other services (Note 24)	1,534,977	1,233,825
Investment income	356,646	221,937
Donations and contributions	667,264	133,730
(Loss) gain on disposal of capital assets	(7,687)	1,672
Amortization of deferred capital contributions (Note 10)	1,397,214	1,336,304
	36,037,990	31,298,397
Expense:		
Compensation and benefits (Note 17)	$ 22,218,540	$ 18,689,969
Supplies and services (Note 18)	8,507,595	8,035,311
Ancillary services	1,120,112	813,770
Amortization of capital assets	1,973,645	1,782,502
Scholarship and bursaries	185,228	98,237
	34,005,120	29,419,789
Excess of revenue over expense	$ 2,032,870	$ 1,878,608

BOW VALLEY COLLEGE

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2003

	2003					2002
	Unrestricted	Internally Restricted	Invested in Capital Assets	Endowments	Total	Total
Excess of revenue over expense	$ 2,032,870	$ -	$ -	$ -	$ 2,032,870	$ 1,878,608
Net assets restricted by the Board:						
Facilities improvement	(2,202,917)	2,202,917	-	-	-	-
Technology requirements	(600,000)	600,000	-	-	-	-
Board of Governors' Scholarship	(8,248)	8,248	-	-	-	-
Acquisition of internally funded capital assets	(691,925)	-	691,925	-	-	-
Net book value of disposed assets - internally funded	32,358	-	(32,358)	-	-	-
Repayment of obligation under capital lease	(98,599)	-	98,599	-	-	-
Contributions to endowments	-	-	-	265,025	265,025	10,040
Amortization of internally funded capital assets	576,431	-	(576,431)	-	-	-
Increase (decrease) in net assets	(960,030)	2,811,165	181,735	265,025	2,297,895	1,888,648
Net assets, beginning of year	1,525,549	2,824,928	3,709,864	10,040	8,070,381	6,181,733
Net assets, end of year	$ 565,519	$ 5,636,093	$ 3,891,599	$ 275,065	$ 10,368,276	$ 8,070,381

BOW VALLEY COLLEGE

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2003

	2003	2002
Operating activities:		
Excess of revenue over expense	$ 2,032,870	$ 1,878,608
Non-cash transactions:		
Amortization of deferred capital contributions (Note 10)	(1,397,214)	(1,336,304)
Amortization of capital assets - externally funded	1,397,214	1,320,197
Amortization of capital assets - internally funded	576,431	462,305
Loss (gain) on disposal of capital assets	7,687	(1,672)
	2,616,988	2,323,134
Net change in non-cash working capital (Note 22)	(1,018,920)	1,947,864
Cash generated from operating activities	1,598,068	4,270,998
Investing activities:		
(Increase) decrease in non-current cash and investments	(2,950,602)	4,216
Acquisition of capital assets - externally funded	(150,721)	(978,452)
Acquisition of capital assets - internally funded	(691,925)	(1,193,111)
Acquisition of capital assets - financing	(258,378)	(376,577)
Proceeds on disposal of capital assets	24,671	17,779
Cash applied to investing activities	(4,026,955)	(2,526,145)
Financing activities:		
Capital contributions received (Note 9)	25,133	971,490
Proceeds from lease obligation	258,378	376,577
Payment on capital leases	(98,599)	(93,303)
Endowment contributions	265,025	10,040
Cash generated from financing activities	449,937	1,264,804
(Decrease) increase in cash	(1,978,950)	3,009,657
Cash and short-term investments, at beginning of year	4,789,425	1,779,768
Cash and short-term investments, at end of year	$ 2,810,475	$ 4,789,425

Note 1 Authority and Purpose

Bow Valley College operates under the authority of the Colleges Act, Chapter C-19, Revised Statutes of Alberta 2000.

The College serves primarily the City of Calgary and communities in Southern Alberta. The College provides instruction and training to assist adult learners through academic upgrading programs; career entry training in business, health, and service industries; and English as a second language programs. The College maintains a special interest in providing programs and services to aboriginal communities.

Prior to September 1, 1997, the College was operated directly by the Ministry of Alberta Learning.

The College is a registered charity and is exempt from payment of income tax.

Note 2 Significant Accounting Policies and Reporting Practices

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates which may vary from actual results. The following accounting policies are considered significant:

(a) Revenue Recognition

Unrestricted Contributions

Unrestricted operating grants and other contributions are recognized as revenue in the period receivable. Operating grants received for use in a future period are deferred until that future period.

Restricted Contributions

Externally restricted non-capital contributions are deferred and recognized as revenue in the period in which the related expenses are incurred.

Externally restricted capital contributions are recorded as deferred capital contributions until the amount is invested in capital assets. Contributions for capital assets that will be amortized are transferred to unamortized deferred capital contributions in the period the asset is acquired.

Unamortized deferred capital contributions are recognized as revenue in the periods in which the related capital assets are amortized. The related portion of amortization expense and the deferred capital contributions revenue are matched to indicate how the related amortization expense has been funded. Unamortized deferred capital contributions relating to capital assets disposed of are recognized as revenue in the period of disposal, provided that all restrictions have been complied with.

Externally restricted contributions for endowment purposes are not recognized as revenue, but are recorded as direct increases in net assets.

Investment Income

Unrestricted investment income is recognized in the year it is earned.

Investment income subject to external restrictions is, depending on the nature of the restriction, recorded as direct increases to net assets, or is deferred and recognized as revenue in the period the related expenses are incurred.

Program Delivery

Amounts received for tuition fees and sale of goods and services are recognized as revenue in the period in which the programs, goods or services are provided.

Revenue from contract programs are determined on the percentage of completion method. Provision is made for all anticipated losses as soon as they become evident.

(b) Consolidated Statements

These consolidated financial statements include the accounts of Test of Workplace Essential Skills (TOWES) project, a joint venture in which the College has 50% interest and British Columbia Construction Industry Skills Improvement Council has 50% interest. This joint venture has been accounted for using the proportionate consolidation method.

(c) Capital Assets

Capital asset acquisitions are recorded at cost, except donated assets which are recorded at fair value, when fair value is reasonably determined.

Capital assets are amortized on a straight-line basis over the following estimated average useful lives:

Building	22 years
Furniture, vehicles and equipment	10 years
Computer equipment and related software	3-5 years
Software development	3 years
Educational resources	2 years

Leasehold and site improvements are amortized over the lower of expected useful life of the related buildings or the remaining term of the lease.

Assets under capital leases are amortized on a basis that is consistent with the above.

(d) Inventories

Inventories, that are comprised of goods for resale, are valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis. Inventories held for consumption are valued at the lower of cost and replacement value.

(e) Employee Future Benefits

The College participates in the Public Service Pension Plan (PSPP) and the Management Employees Pension Plan (MEPP). These pension plans are multi-employer defined benefit pension plans that provide pensions for the College's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the pension plan. The College's portion of the pension plan's deficit or surplus is not recorded by the College.

(f) Financial Instruments

The carrying value of financial assets and financial liabilities are considered to approximate fair value.

Note 3 Endowments

Endowments consist of externally restricted donations to the College, the principal of which is required to be maintained in perpetuity. The investment income from endowments must be used in accordance with the purpose established by the donor.

Note 4 Cash and short-term investments, and non-current cash

Cash funds are invested in a daily interest earnings account with a Canadian chartered bank. The rates earned during the year ranged from 1.37% to 2.00% (2002: 0.75% to 3.10%). Short-term investments are invested in a Cash Management Fund with earned rates ranging from 2.67% to 3.18% (2002: 2.37% to 2.53%).

	2003	2002
Investment	$ 10,577,339	$ 10,278,065
Cash	1,956,128	1,283,750
Non-current	(9,722,992)	(6,772,390)
	$ 2,810,475	$ 4,789,425

Non-current cash and investments consist of amounts not available for current operations and includes:

	2003	2002
Deferred capital contributions (Note 9)	$ 3,811,834	$ 3,937,422
Internally restricted (Note 14)	5,636,093	2,824,928
Endowments	275,065	10,040
	$ 9,722,992	$ 6,772,390

Note 5 Inventories

	2003	2002
Books and educational materials	$ 204,458	$ 235,447
Artwork	230,374	227,845
Consumable supplies	78,270	130,071
	$ 513,102	$ 593,363

Note 6 Capital Assets

	2003		
	Cost	Accumulated Amortization	Net Book Value
Building	$ 19,739,323	$ 2,913,353	$ 16,825,970
Land	2,305,697	-	2,305,697
Computer equipment and related software	4,609,325	3,218,522	1,390,803
Furniture and equipment	1,882,305	497,449	1,384,856
Leasehold and site improvements	948,057	366,100	581,957
Educational resources	117,047	116,933	114
Vehicles	24,083	24,083	-
	$ 29,625,837	$ 7,136,440	$ 22,489,397

	2002		
	Cost	Accumulated Amortization	Net Book Value
Building	$ 19,739,323	$ 2,016,111	$ 17,723,212
Land	2,305,697	-	2,305,697
Computer equipment and related software	4,364,167	2,767,535	1,596,632
Furniture and equipment	1,594,691	424,384	1,170,307
Leasehold and site improvements	825,083	242,359	582,724
Educational resources	117,047	116,475	572
Vehicles	63,642	48,410	15,232
	$ 29,009,650	$ 5,615,274	$ 23,394,376

Included in computer equipment and related software are assets under capital leases with a net book value of $263,850 (2002 - $352,717) and accumulated amortization of $475,229 (2002 - $386,362). Included in furniture and equipment are assets under capital leases with a net book value of $242,387 (2002 - $NIL) and accumulated amortization of $15,991 (2002 - $NIL).
The College also disposed of capital assets with an original cost of $484,836 and accumulated amortization of $452,478.

Note 7 Unearned Revenue

Unearned revenue is summarized as follows:

	2003	2002
Tuition fees	$ 1,478,458	$ 1,261,923
Contract programs	146,317	163,888
	$ 1,624,775	$ 1,425,811

Note 8 Deferred Contributions

The deferred contributions balance represents amounts accounted for in accordance with the accounting policy described in Note 2 (a).

	2003	2002
Contributions received during the year:		
Conditional funding	$ 1,510,396	$ 2,415,483
Donations and contributions	301,725	179,963
	1,812,121	2,595,446
Transferred to:		
Conditional funding (Note 15)	(1,707,309)	(1,641,167)
Donations and contributions	(222,604)	(124,645)
Endowment	(108,324)	(5,000)
	(2,038,237)	(1,770,812)
(Decrease) increase during the year	(226,116)	824,634
Deferred contributions, beginning of year	1,458,520	633,886
Deferred contributions, end of year	$ 1,232,404	$ 1,458,520

Unspent amounts at the end of the year are restricted for the following purposes:

	2003	2002
Academic Foundations	$ 458,238	$ 418,647
Health Community Care	360,297	392,048
Learning Resource Services	195,654	186,683
Student Awards	118,774	209,585
English as a Second Language	49,368	-
Business and Industry Training	35,073	41,793
Facilities	15,000	15,000
Infrastructure Renewal	-	194,764
	$ 1,232,404	$ 1,458,520

Note 9 Deferred Capital Contributions

	2003	2002
Contributions received during the year:		
Grant for Community Access Program	$ 13,133	$ -
Grant for Community Initiatives Program	12,000	-
Grant for Infrastructure Renewal Envelope	-	724,062
Access Grant for Practical Nurse Program	-	164,457
Grant for Smart Communities Program	-	41,739
Grant for Computer Equipment - Full Time LINC	-	38,232
Donation - Smart Classroom Equipment	-	3,000
	25,133	971,490
Transferred to:		
Unamortized deferred capital contributions (Note 10)		
Infrastructure Renewal Envelope	(125,598)	(548,701)
Community Access Program	(13,132)	(41,739)
Practical Nurse program	(7,593)	(303,782)
Business Information System	(2,703)	-
Assistive Technology program	(1,695)	(1,165)
Computer Equipment - Full Time LINC	-	(38,232)
Donation - Smart Classroom Equipment	-	(16,930)
Instructional Related Equipment	-	(11,636)
Knowledge Network	-	(9,817)
Computer Technology Certificate	-	(6,450)
	(150,721)	(978,452)
Decrease during the year	(125,588)	(6,962)
Deferred capital contributions, beginning of year	3,937,422	3,944,384
	$ 3,811,834	$ 3,937,422

Unspent amounts at end of year are restricted for the following purposes:

	2003	2002
College Renovation project	$ 3,000,000	$ 3,000,000
Practical Nurse	447,098	454,690
Infrastructure Renewal	300,135	425,734
Knowledge Network	43,764	43,764
Community Initiatives Program	12,000	-
Assistive Technology	5,273	6,967
Instructional Related Equipment	3,564	3,564
Business Information System	-	2,703
	$ 3,811,834	$ 3,937,422

Note 10 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the funded portion of capital assets which will be recognized in future periods. Changes in the unamortized deferred capital contributions balances are as follows:

	2003	2002
Balance at the beginning of year	$ 19,396,207	$ 19,754,059
Add: Purchase of capital assets (Note 9)	150,721	978,452
Less: Amount amortized to revenue	(1,397,214)	(1,336,304)
	$ 18,149,714	$ 19,396,207

Note 11 Pension Expense

The pension expense recorded in these financial statements is equivalent to the College's annual contribution payable of $816,843 for the year ended June 30, 2003 (2002 - $691,261).

At December 31, 2002, the Public Service Pension Plan reported a deficiency of $175,528,000 (as compared to a surplus of $320,487,000 in 2002) and the Management Employees Pension Plan reported a deficiency of $301,968,000 (as compared to a surplus of $5,388,000 in 2002).

Note 12 Lease Obligation

The College has entered into capital leases with interest rates ranging from 9.00% to 18.64%.

	2003	2002
Capital lease obligations	$ 448,084	$ 288,305
Less: Current portion	149,531	63,443
Long term portion	$ 298,553	$ 224,862

The minimum annual payments under capital lease obligations are as follows:

2002 - 2003	$ -	$ 88,652
2003 - 2004	182,457	88,461
2004 - 2005	182,457	88,461
2005 - 2006	176,209	88,461
Total minimum lease payments	541,123	354,035
Less: Amounts representing interest	93,039	65,730
Capital lease obligations	$ 448,084	$ 288,305

During the year, interest on capital lease obligations amounting to $22,293 (2002: $14,330) has been charged to supplies and services expense.

Note 13 Commitments

(a) Lease Commitments

Future minimum annual lease payments under operating leases are:

Fiscal year		
2004	$	1,345,620
2005	$	1,368,513
2006	$	1,366,874
2007	$	1,366,874
2008	$	1,202,879

The most significant item is the lease for Rocky Mountain Plaza which will cost $1,086,177 in the year 2004 and $1,136,414 in the year 2005. The lease expires on November 30, 2008.

(b) Utility Commitment

In order to manage its exposure to the volatility in the electrical industry, the Board of Governors has entered into a five year contract, beginning January 1, 2001, to fix its electrical cost at an average of 8.42 cents a kilowatt hour. Based on 2003 consumption, the annual costs for the year ending June 30, 2004 are expected to be $468,000.

Note 14 Internally Restricted Net Assets

The Board of Governors has designated funds for specific purposes. These are for:

	2003	2002
Facilities improvement	$ 4,800,000	$ 1,900,000
Technology requirements	600,000	-
Fund development	227,845	227,845
Board of Governors' Scholarship	8,248	-
Development projects	-	600,000
Institutional development	-	97,083
	$ 5,636,093	$ 2,824,928

Note 15 Provincial Government Contributions and Grants

	2003	2002
Revenue:		
General operating grant	$ 13,534,705	$ 13,154,786
Conditional funding, provincial (Note 8)	1,707,309	1,641,167
	$ 15,242,014	$ 14,795,953

Note 16 Contract Programs and Other Grants

Contract and other grant revenues consist of:

	2003	2002
Federal and other governments	$ 5,668,291	$ 4,978,358
Other agencies and private sector	1,718,269	1,593,941
	$ 7,386,560	$ 6,572,299

Note 17 Compensation and Benefits

	2003	2002
Excluding ancillary services		
Salaries, wages, benefits, staff development	$ 21,528,669	$ 18,528,994
Vacation pay and benefits	517,605	147,035
Separation payments	172,266	13,940
	$ 22,218,540	$ 18,689,969

Note 18 Supplies and Services

	2003	2002
Excluding ancillary services		
Property lease, utilities and contracts	$ 2,017,353	$ 1,809,807
Professional contracted services	1,908,862	1,806,959
Instructional and office supplies	1,180,023	1,073,065
Repairs and maintenance	781,641	961,081
Advertising	813,538	853,418
Telecommunications and rentals	192,667	212,349
Travel	315,846	256,072
Licenses and permits	251,966	175,852
Freight and postage	139,572	99,852
Building renovations and supplies	135,744	128,193
Other supplies and services	770,383	658,663
	$ 8,507,595	$ 8,035,311

Note 19 Related Parties

The College is a Provincial Corporation. The members of the Board of Governors are appointed by a combination of orders by the Lieutenant Governor in Council and the Minister of Alberta Learning.

(a) Transactions between the College and the Province are disclosed in the Statement of Operations and the Statement of Financial Position as follows:

		2003			
	Revenue	Deferred Contributions and UDCC	Unearned Revenue	Accounts Receivable	Accounts Payable
General operating grant	$ 13,534,705	-	-	-	-
Conditional funding	1,707,309	(184,913)	-	73,798	-
	15,242,014	(184,913)	-	73,798	-
Contract programs	5,530,671	-	114,976	840,706	45,089
	$ 20,772,685	$ (184,913)	$ 114,976	$ 914,504	$ 45,089

		2002			
	Revenue	Deferred Contributions and UDCC	Unearned Revenue	Accounts Receivable	Accounts Payable
General operating grant	$ 13,154,786	-	-	-	-
Conditional funding	1,641,167	1,662,835	-	92,294	-
	14,795,953	1,662,835	-	92,294	-
Contract programs	2,509,241	-	133,739	481,987	53,399
	$ 17,305,194	$ 1,662,835	$ 133,739	$ 574,281	$ 53,399

During the year, Bow Valley College had business transactions with other public colleges, technical institutes and universities in Alberta. These transactions were at market prices on normal terms of purchase and sale.

(b) Joint Venture

On December 18, 1998, the Lieutenant Governor in Council approved the incorporation of a corporation, to be owned equally by Bow Valley College, Northern Lakes College, Norquest College, and Portage College. On February 10, 1999, 818196 Alberta Limited was incorporated pursuant to the Alberta Business Corporations Act.

The corporation was created for the purpose of holding the jointly developed intellectual property transferred from her Majesty the Queen in Right of the Province of Alberta as represented by the Minister of Learning. The fair value of the intellectual property transferred cannot be reasonably determined. At June 30, 2003 the corporation was not active.

Note 20 Salaries and Benefits

The salary and benefit disclosure is provided pursuant to Treasury Board Directive 12/98 and includes only the salaries and benefits of those individuals in the senior decision making group of the College.

	2003			2002
	Salary (1)	Benefits and Allowances (2)	Total	Total
Board of Governors (3)	$ 9,093	$ -	$ 9,093	$ 6,626
President and Chief Executive Officer (6)	137,500	52,538	190,038	144,941
Vice President, Learning Service (4)	108,120	15,511	123,631	150,279
Vice President, College Services	107,060	15,941	123,001	117,507
Vice President, External Relations	102,820	15,817	118,637	113,616
Director, Development and Partnerships (5)	90,100	15,907	106,007	77,729
	$ 554,693	$ 115,714	$ 670,407	$ 610,698

(1) Salary includes regular base pay, bonuses, overtime, lump sum payments and honoraria.

(2) The College's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, out of country medical benefits, group life insurance, accidental disability and dismemberment insurance, long and short term disability plan, vehicle allowances, Employment Insurance, Workers' Compensation, parking, professional memberships, vacation payouts, and tuition.

(3) The College has eleven board members. The majority of the Board members do not accept honoraria from the College. Instead, the value of the honoraria not accepted ($8,248) was allocated to student scholarships.

(4) The position of Vice President, Learning Service was occupied by two incumbents during the 2001/2002 fiscal year.

(5) The incumbent was appointed to the position on October 1, 2001.

(6) The President and Chief Executive Officer's benefits include a vacation payout of $31,202.

Note 21 Budget

The College is required to submit a budget, approved by the Board of Governors of the College, to the Minister of Alberta Learning for his approval. The 2002-2003 College Budget was approved by the Board of Governors on May 21, 2002.

Revenue	
General operating grant	$ 13,534,705
Conditional grants	2,240,923
Tuition fees	8,000,216
Contract revenue	7,307,099
Ancillary services	1,177,631
Donations and contributions	273,500
Investment income	200,000
Amortization of deferred capital contributions	1,400,000
	$ 34,134,074
Expense	
Compensation and benefits	$ 21,652,577
Supplies and services	9,098,021
Ancillary services	1,137,843
Scholarships and bursaries	179,700
Amortization of capital assets	1,985,000
	$ 34,053,141
Excess of revenue over expense	$ 80,933

Note 22 Changes in Non-Cash Working Capital

	2003	2002
(Increase) in accounts receivable	$ (1,384,405)	$ (116,344)
Decrease (increase) in due from the Ministry of Alberta Learning	83,787	(50,809)
Decrease (increase) in inventories	80,261	(121,721)
(Increase) in prepaid expenses	(3,332)	(43,472)
Increase in accrued vacation pay	272,798	6,446
(Decrease) increase in accounts payable and accrued liabilities	(40,877)	800,977
Increase in unearned revenue	198,964	648,153
(Decrease) increase in deferred contributions	(226,116)	824,634
	$ (1,018,920)	$ 1,947,864

Note 23 Net Assets Invested in Capital Assets

	2003	2002
Capital assets	$ 22,489,397	$ 23,394,376
Financed by long-term debt	(448,084)	(288,305)
Unamortized deferred contributions related to capital assets	(18,149,714)	(19,396,207)
	$ 3,891,599	$ 3,709,864

Note 24 Ancillary and Other Services

Ancillary and other services revenue consist of:

	2003	2002
Ancillary Department	$ 918,357	$ 791,106
Business Development	281,770	58,770
Academic Departments	133,485	180,705
Information Technology	113,537	92,561
Centre for Career Advancement	83,524	101,086
Other sales	4,304	9,597
	$ 1,534,977	$ 1,233,825

Note 25 Investment Income

	2003
Restricted investment income on resources held for endowment	$ 4,206
Other restricted investment income	1,663
Unrestricted investment income	356,646
Total investment income	362,515
Transfer to deferred contributions	(1,663)
Amounts credited directly to endowment principal	(4,206)
	$ 356,646

Note 26 Interest in Joint Venture

The College's interest in the TOWES Joint Venture is as follows:

	2003
Financial position	
Total assets	$ 97,647
Total liabilities	$ 54,947
Total net assets	42,700
	$ 97,647
Results of operations	
Total revenue	$ 138,906
Total expense	96,206
Excess of revenue over expense	$ 42,700
Cash flows	
Cash from operations	$ 2,988
Increase in cash	$ 2,988

Note 27 Certain comparative figures have been reclassified to conform with the current year presentations.

Note 28 Approval of Financial Statements

These financial statements were approved by the Board of Governors.

FAIRVIEW COLLEGE
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2003

Auditor's Report

Consolidated Statement of Financial Position

Consolidated Statement of Operations

Consolidated Statement of Changes in Net Assets

Consolidated Statement of Cash Flows

Notes to the Consolidated Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Governors of Fairview College

I have audited the consolidated statement of financial position of Fairview College as at June 30, 2003 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
September 26, 2003

FAIRVIEW COLLEGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2003

	2003	2002 (As Restated Note 21)
ASSETS		
Current		
Cash (Note 3)	$ 1,750,505	$ 1,613,513
Accounts receivable	1,402,628	1,148,212
Inventories (Note 4)	374,448	404,064
Prepaid expenses	60,690	48,886
	3,588,271	3,214,675
Investments (Note 5)	11,866,046	11,153,747
Capital assets (Note 6)	18,254,272	19,579,617
	$ 33,708,589	$ 33,948,039
LIABILITIES AND NET ASSETS		
Current		
Accounts payable	$ 1,114,378	$ 976,090
Accrued vacation pay	846,785	810,238
Unearned revenue	597,924	138,083
Deferred contributions (Note 7)	727,894	1,066,106
	3,286,981	2,990,517
Non-current		
Long term liability (Note 8)	512,336	-
Supplementary retirement plans (Note 9)	524,030	491,262
Deferred contributions for capital purposes (Note 10)	512,318	1,266,657
Unamortized deferred capital contributions (Note 11)	10,989,928	12,141,873
	12,538,612	13,899,792
Net assets		
Endowments	2,248,497	2,150,886
Investment in capital assets	7,264,344	7,437,744
Net assets internally restricted (Note 12)	7,905,984	7,004,929
Unrestricted net assets	464,171	464,171
	17,882,996	17,057,730
	$ 33,708,589	$ 33,948,039

The accompanying notes are part of these consolidated financial statements.

FAIRVIEW COLLEGE
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED JUNE 30, 2003

	2003		2002
	Budget	Actual	Actual
	(Note 14)		(As Restated Note 21)
Revenue			
Grants (Note 15)	$ 13,252,637	$ 13,945,932	$ 13,042,506
Tuition and related fees	2,199,549	2,659,328	2,011,361
Sales, rentals and service	2,304,924	1,958,578	1,985,998
Educational contracts	357,693	1,037,663	729,795
Investments (Note 16)	409,698	537,716	578,990
Donations	80,933	140,324	109,023
	18,605,434	20,279,541	18,457,673
Amortization of deferred capital contributions (Note 11)	1,280,000	1,693,559	1,369,940
	19,885,434	21,973,100	19,827,613
Expense			
Salaries and benefits (Note 17)	11,280,320	11,275,705	10,415,766
Supplies and services	5,826,030	5,064,007	4,797,457
Amortization of capital assets	1,920,000	1,964,014	2,013,775
Utilities	1,029,670	1,221,172	916,174
Cost of goods sold	202,000	568,337	498,392
Scholarships and bursaries	83,500	99,105	132,598
Loss on disposal of assets (Note 6)	-	367,968	-
Severances	-	685,137	158,980
	20,341,520	21,245,445	18,933,142
Excess of revenue over expense	$ (456,086)	$ 727,655	$ 894,471

FAIRVIEW COLLEGE
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2003

	2003					2002
	Endowments	Investment In Capital Assets	Net Assets Internally Restricted	Unrestricted Net Assets	Total	(As Restated Note 21) Total
Excess of revenue over expense	$ -	$ -	$ -	$ 727,655	$ 727,655	$ 894,471
External endowment contributions	97,611	-	-	-	97,611	262,741
Transfers						
Acquisition of internally funded capital assets	-	503,696	-	(503,696)	-	-
Disposal of internally funded capital assets	-	(14,869)	-	14,869	-	-
Amortization of internally funded capital assets	-	(662,227)	-	662,227	-	-
Board appropriations and transfers	-	-	901,055	(901,055)	-	-
Increase in net assets	97,611	(173,400)	901,055	-	825,266	1,157,212
Net assets at beginning of year	2,150,886	7,437,744	7,004,929	464,171	$ 17,057,730	15,900,518
Net assets at end of year	$ 2,248,497	$ 7,264,344	$ 7,905,984	$ 464,171	$ 17,882,996	$ 17,057,730

FAIRVIEW COLLEGE
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2003

	2003	2002 (As restated Note 21)
Operating activities		
Excess of revenue over expense	$ 727,655	$ 894,471
Add (deduct) non-cash transactions		
Amortization of capital assets	1,964,014	2,013,775
Change in supplementary retirement plans	32,768	(130,240)
Long term liability (Note 8)	512,336	-
Loss (Gain) on disposal of capital assets	367,968	(24,420)
Amortization of deferred capital contributions	(1,693,559)	(1,369,940)
	1,911,182	1,383,646
Changes in non-cash working capital (Note 19)	59,860	491,152
Cash generated from operating activities	1,971,042	1,874,798
Investing activities		
Acquisition of capital assets	(1,045,310)	(2,807,868)
Proceeds on disposal of capital assets	38,673	32,900
Purchase of investments (net)	(712,299)	(257,292)
Cash applied to investing activities	(1,718,936)	(3,032,260)
Financing activities		
Capital contributions (Note 10)	(212,725)	1,194,384
Endowment contributions	97,611	262,741
Cash generated from financing activities	(115,114)	1,457,125
Increase in cash	136,992	299,663
Cash at beginning of year	1,613,513	1,313,850
Cash at end of year	$ 1,750,505	$ 1,613,513

FAIRVIEW COLLEGE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2003

Note 1 Authority and Purpose

Fairview College (the "College") operates under the authority of the Colleges Act, Chapter C-19, Revised Statutes of Alberta 2000. The College is a registered charity and is exempt from the payment of income taxes.

The College, a board governed multi-campus regional college, serves primarily northwestern Alberta with programs leading to careers in agriculture, business administration, trades and related fields.

Note 2 Significant Accounting Policies and Reporting Practices

(a) Basis of Presentation

These consolidated financial statements include the accounts of the Fairview College Foundation (the "Foundation") which operates under the Societies Act of Alberta. The Foundation raises funds for the use of the College and is a registered charitable organization for income tax purposes.

(b) Revenue Recognition

Unrestricted contributions are recognized as revenue when they are received.

Externally restricted non-capital contributions are deferred and recognized as revenue in the period the related expenses are incurred.

Externally restricted capital contributions are recorded as deferred contributions until the related capital asset is acquired. Contributions for capital assets that will be amortized are transferred to unamortized deferred capital contributions in the period the asset is acquired and are recognized as revenue in the periods the related capital assets are amortized. Contributions for capital assets that will not be amortized, such as land, are recorded as direct increases in net assets in the period the asset is acquired.

Externally restricted endowment contributions are recorded as direct increases in net assets.

Government grants are accounted for as unrestricted or externally restricted contributions in accordance with the terms of the funding.

Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

Amounts received for tuition and related fees, sales, rentals and services, and educational contracts are recorded as unearned revenue and recognized as revenue in the period the goods are delivered or the services are provided.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(c) Endowments

Endowments represent restricted donations and amounts designated as endowments by the Board of Governors. Principal is to be held intact. Interest earned on endowments must be used in accordance with the conditions imposed by the donors' terms of reference or by Board policy.

(d) Net Assets Internally Restricted

Net assets internally restricted are amounts set aside by the College Board of Governors to be used for designated purposes.

(e) Investments

Investments are recorded at cost. Gains and losses on investments are recognized in the period of disposal or when there is permanent impairment in the value of an investment.

(f) Capital Assets

Capital asset acquisitions are recorded at cost, except that certain capital assets transferred by the Province to the College were recorded at fair value as at June 1983 and June 1986, as determined by independent appraisals. Donated capital assets are recorded at fair value when a fair value can be reasonably determined.

Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Building and site improvements	10 to 40 years
Heavy equipment	25 years
Furnishings and other equipment	5 to 10 years
Vehicles and computer equipment	5 years

(g) Inventories

Inventories for resale are valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

(h) Pensions

The College participates in the Local Authorities Pension Plan. This pension plan is a multi-employer defined benefit pension plan that provides pensions for the College's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the pension plan. The College's portion of the pension plan's deficit or surplus is not recorded by the College

Note 3 **Cash**

Cash of $1,750,505 consists of a deposit in the Consolidated Cash Investment Trust Fund in the amount of $1,779,270 and overdrafts in miscellaneous bank accounts of $28,765 (2002 $2,042,367 and overdrafts of $428,854). The Fund is managed to provide competitive interest income while maintaining maximum security and liquidity of depositors' capital.

Note 4 **Inventories**

	2003	2002
Livestock	$ 194,887	$ 213,894
Bookstore	120,433	130,944
Farm	26,565	12,623
Resale trades	3,908	8,905
Others	28,655	37,698
	$ 374,448	$ 404,064

Note 5 **Investments**

	2003			2002	
	Effective Yield	Cost	Market Value	Cost	Market Value
Short-term					
Guaranteed investment Certificates	3.15%	$ 1,970,620	$ 1,970,620	$ 1,424,120	$ 1,424,119
Fixed income	8.42%	437,819	538,616	357,194	412,926
		2,408,439	2,509,236	1,781,314	1,837,045
Long-term					
Wood Gundy – fixed income	5.38%	4,691,235	5,824,002	4,653,411	5,321,343
Guaranteed investment certificate	4.53%	1,522,771	1,522,771	1,475,481	1,475,481
Equity linked note - principal guaranteed		3,228,580	2,666,138	3,228,580	2,353,505
Cash held by investment manager		15,021	15,021	14,961	14,961
		9,457,607	10,027,932	9,372,433	9,165,290
		$11,866,046	$12,537,168	$11,153,747	$11,002,335

Within the investment portfolio, there are securities at costs which are in excess of market value. These securities have not been written down because management has concluded, based on careful review of market information for these securities, that the decline is temporary.

Effective yield represents the rate that discounts future cash receipts to the carrying value of the investments at June 30, 2003.

Note 5 Investments (continued)

The College's investment objective is to enhance the value of pooled funds while maintaining a low level of risk and providing a dependable source of income to support College operations and objectives. The investment guidelines and procedures restrict the type and amount of investments that may be purchased or held.

Note 6 Capital assets

	2003			2002
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land and improvements	$ 1,589,200	$ -	$ 1,589,200	$ 1,589,200
Buildings and site improvements	53,250,760	38,752,848	14,497,912	15,983,654
Equipment, furnishings and vehicles	10,766,174	8,599,014	2,167,160	2,006,763
	$ 65,606,134	$ 47,351,862	$ 18,254,272	$ 19,579,617

Purchase Option

As part of the transfer of certain capital assets to the College by the Province in 1978 the Province retained an option to repurchase all or any part of the transferred land and buildings for the nominal amount of $1 per purchase. The recorded net book value of the capital assets transferred to the College is $2,150,602 (2002 $2,298,251).

Buildings and Site Improvements

In 1994, the College entered into an agreement with a third party that gives the College the right to use a portion of a certain building in perpetuity. In consideration, the College paid $300,000 which comprises a portion of the construction costs and agreed to pay an amount of $1 annually. This building is included in buildings and site improvements at a net book value of $214,780 (2002 $224,281).

Loss on Disposal of Assets

The $367,968 loss on disposal of capital assets is primarily due to the College demolition of a Fairview Campus residence. The College plans to build a new residence.

Note 7 Deferred Contributions

Deferred contributions represent unspent contributions externally restricted for non-capital purposes.

	2003	2002
Contributions during the year	$ 1,280,183	$ 1,954,102
Transferred to revenue	(1,618,395)	(1,624,853)
Increase (decrease) during the year	(338,212)	329,249
Balance at beginning of year	1,066,106	736,857
Balance at end of year	$ 727,894	$ 1,066,106
The balance consists of funds restricted for		
Scholarships and bursaries	$ 473,649	$ 458,126
Access program support	70,610	422,501
Apprenticeship program support	183,635	164,088
Infrastructure renewal projects	-	18,019
Other non capital projects	-	3,372
	$ 727,894	$ 1,066,106

Note 8 Long Term Liability

The College partnership with NAIT resulted in the commitment of paid leave of absences and retirement allowances for senior management positions commencing July 1, 2004 and completing June 30, 2008 (Refer to Note 20). The $512,336 salary and benefits related to this commitment are included as severance expense in the Consolidated Statement of Operations.

The partnership agreement will result in further personnel reductions during 2003-04. The effect of these cannot be estimated at this time and no amounts have been included in these financial statements.

Note 9 Supplementary Retirement Plans

	2003	2002
Supplementary superannuation plan	$ 396,881	$ 396,881
Supplementary retirement plan	127,149	94,381
	$ 524,030	$ 491,262

The approval of the Minister was not obtained prior to setting up these plans, as required by the College's Act. The College has informed the Ministry of Learning of the plans and options to provide the necessary approval for the plans are being explored.

Note 10 Deferred Contributions for Capital Purposes

Deferred contributions for capital purposes represent unspent capital funds for equipment.

	2003	2002
Contributions during the year		
Grants	$ -	$ 1,135,152
Gifts-in-kind donations	81,800	59,232
	81,800	1,194,384
Transferred to grant revenue (non capital expenditures)	(294,525)	-
	(212,725)	1,194,384
Transferred to unamortized deferred capital contributions (Note 11)	(541,614)	(1,127,289)
Increase (decrease) during the year	(754,339)	67,095
Balance at beginning of year	1,266,657	1,199,562
Balance at end of year	$ 512,318	$ 1,266,657

Note 11 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent externally restricted capital contributions which have been invested in amortizable capital assets.

	2003	2002
Balance at beginning of year	$ 12,141,873	$ 12,384,524
Add amount transferred from deferred contributions (Note 10)	541,614	1,127,289
Less amount amortized to revenue	(1,693,559)	(1,369,940)
Balance at end of year	$ 10,989,928	$ 12,141,873

Note 12 Net Assets Internally Restricted

Net assets restricted by the Board are held for the following purposes:

	2003	2002
Capital renovations and acquisitions	$ 2,961,167	$ 2,593,155
Enrolment and other initiatives	3,764,840	3,310,111
Ancillary operations	1,160,208	1,076,818
Scholarship and program specific	19,769	24,845
	$ 7,905,984	$ 7,004,929

These amounts are not available for other purposes without the approval of the Board of Governors.

Note 13 Commitments

There is an annual commitment for operating costs of the Fairview and District Aquatic Centre

2003-2004	$	25,000
2004-2005		25,000
2005-2006		25,000
2006-2007		25,000
2007-2008		25,000

Future minimum annual lease payment under the operating lease for the Marine facility in St. Albert is:

2003-2004	$	45,000

Note 14 Budget

On May 16, 2002, the Board of Governors approved the 2002-03 budget shown in the Consolidated Statement of Operations.

Note 15 Related Party

The College is a Provincial Corporation as all members of the Board of Governors are appointed by combination of Order by the Lieutenant Governor in Council and the Minister of Learning. Grants revenue transactions in the current period and balances at year-end between the College and the Province were as follows:

	2003	
	Grants Revenue	Transferred to Unamortized Deferred Capital Contributions
Alberta Learning		
Regular operating	$ 12,038,537	$ -
General cost pressure	365,926	-
Performance funding	83,000	-
Access	614,270	155,765
Faculty & staff recruitment & retention	144,010	-
Infrastructure renewal	186,177	304,050
Conditional	135,136	-
Miscellaneous	376,332	-
	13,943,388	459,815
Alberta Infrastructure		
Infrastructure renewal	2,544	-
	$ 13,945,932	$ 459,815

	2002	
	Grants Revenue	Transferred to Unamortized Deferred Capital Contributions
Alberta Learning		
Regular operating	$ 11,433,824	$ -
General cost pressure	345,624	-
Access	348,488	74,195
Faculty & staff recruitment & retention	259,089	-
Infrastructure renewal	83,574	788,222
Apprenticeship	158,100	-
Energy related support	(100,081)	-
Learning enhancement	23,173	74,518
Conditional	84,724	71,331
Miscellaneous	381,866	7,901
	13,018,381	1,016,167
Alberta Infrastructure		
Infrastructure renewal	24,125	51,890
	$ 13,042,506	$ 1,068,057

In addition to the above transactions, $512,949 (2002 $1,130,797) from Alberta Learning and $253,613 (2002 $743,839) from Alberta Infrastructure is included in Deferred Contributions. During the year, Fairview College conducted business transactions with other public colleges. These transactions were entered into on the same business terms as with non-related parties and are recorded at fair market value.

Note 16 Investments Revenue

	2003	2002
Investment earnings		
Unrestricted	$ 286,642	$ 251,735
Internally restricted	143,501	166,351
Endowments	103,636	98,553
Total investment earnings	533,779	516,639
Transfer from deferred contributions	3,937	62,351
Investment earnings recognized as revenue	$ 537,716	$ 578,990

Note 17 Salaries and Benefits

	2003			2002
	Salaries (1)	Benefits (2)	Total	Total
Board Members				
Chair	$ 3,116	$ 77	$ 3,193	$ 5,062
Other	24,113	508	24,621	18,183
President	107,501	22,932	130,433	144,232
Vice Presidents				
Academic (3)	95,618	13,038	108,656	43,249
Student & College				106,615
Services	98,377	12,733	111,110	
Deans/Directors				
Director, Resources & Industry Training (4)	83,554	9,826	93,380	37,965
Dean, Trades Technologie	78,754	9,759	88,513	86,437
Dean, Agricultural Technologies	75,613	9,612	85,225	80,575
Dean, Business & Academic Studies (5)	55,031	7,355	62,386	72,576

(1) Salaries include regular pay, retroactive pay and board honoraria.

(2) Benefits represent the College's share of employee benefits including Canada Pension Plan, Employment Insurance, pensions, life insurance, health care, dental coverage, extended health and taxable benefits including certain professional development expenses.

(3) The position of Vice President, Academic was occupied for five months during 2001-2002.

(4) The position of Director, Resources & Industry Training was occupied five months in 2001-2002.

(5) The position of Dean, Business & Academic Studies was occupied for nine months during 2002-2003.

Note 18 Pension Costs

The pension expense recorded in these financial statements is the College's annual contributions to the Local Authorities Pension Plan of $364,731 for the year ended June 30, 2003 (2002 $364,717).

At December 31, 2002, the Plan reported a deficit of $445 million (2001 $635 million surplus).

Note 19 Changes in Non-Cash Working Capital

	2003	2002
Accounts receivable	$ (254,416)	$ (324,354)
Inventories	29,616	121,046
Prepaid expenses	(11,804)	123,733
Accounts payable	138,288	206,941
Accrued vacation pay	36,547	23,739
Unearned revenue	459,841	10,798
Deferred contributions (Note 7)	(338,212)	329,249
	$ 59,860	$ 491,152

Note 20 Partnership with NAIT

The Minister of Learning has approved a proposal that results in the College's assets and programs being transferred to the Northern Alberta Institute of Technology (NAIT), effective July 1, 2004. It is expected that the College's assets and liabilities will be transferred at the underlying carrying value for book purposes.

Note 21 Restatement of Prior Year Amounts

a) The Consolidated Statement of Operations was restated to reverse internal bookstore sales to satellite campuses for the 2002 fiscal year.

	Reported	Revision	As Restated
Sales, rentals & services	$ 2,108,071	$ (122,073)	$ 1,985,998
Cost of goods sold	620,465	(122,073)	498,392

b) The Consolidated Statement of Financial Position was restated to reflect a land sale that was not recorded in prior year financial statements.

	Reported	Revision	As Restated
Capital assets	$ 19,591,617	$ (12,000)	$ 19,579,617
Investment in capital assets	7,449,744	(12,000)	7,437,744

c) The Consolidated Statement of Financial Position was restated to properly reflect as endowments amounts recorded as deferred contributions in the 2002 fiscal year.

	Reported	Revision	As Restated
Deferred contributions	$ 1,201,670	$ (135,564)	$ 1,066,106
Endowments	2,015,322	135,564	2,150,886

d) The restatements had the following effect on the Consolidated Statement of Changes in Net Assets:

	Reported	Revision	As Restated
External endowment contributions	$ 127,177	$ 135,564	$ 262,741
Net assets at beginning of year	15,912,518	(12,000)	15,900,518
Net assets at end of year	16,934,166	123,564	17,057,730

e) The restatements had the following effect on the Consolidated Statement of Cash Flows:

	Reported	Revision	As Restated
Changes in non-cash working capital	$ 626,716	$ (135,564)	$ 491,152
Cash generated from operating activities	2,010,362	135,564	1,874,798
Endowment contributions	127,177	135,564	262,741
Cash generated from financing activities	1,321,561	135,564	1,457,125

Note 22 Comparative Figures

Certain 2002 figures have been reclassified to conform to 2003 presentation.

Note 23 Approval of Financial Statements

These consolidated financial statements were approved by the Board of Governors.

GRANDE PRAIRIE REGIONAL COLLEGE
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2003

Auditor's Report

Consolidated Statement of Financial Position

Consolidated Statement of Operations

Consolidated Statement of Changes in Net Assets

Consolidated Statement of Cash Flows

Notes to the Consolidated Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Governors of
Grande Prairie Regional College

I have audited the consolidated statement of financial position of Grande Prairie Regional College as at June 30, 2003 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
September 26, 2003

GRANDE PRAIRIE REGIONAL COLLEGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2003

	2003	2002
ASSETS		
Current		
Cash	$ 845,095	$ 1,199,369
Accounts receivable	1,192,847	1,072,545
Inventories (Note 3)	304,991	274,862
Prepaid expenses	60,722	47,829
	2,403,655	2,594,605
Long-term investments (Note 4)	6,411,048	6,047,545
Capital assets (Note 5)	35,043,204	35,637,778
	$ 43,857,907	$ 44,279,928
LIABILITIES AND NET ASSETS		
Current		
Accounts payable	$ 1,125,915	$ 1,185,354
Accrued vacation pay	1,259,614	1,188,173
Unearned revenue (Note 6)	199,659	116,575
Four-for-five Leave Plan (Note 7)	465,675	308,558
Deferred contributions (Note 8)	462,539	421,771
Obligation under capital lease (Note 9)	101,896	90,313
Long-term debt (Note 10)	36,000	16,000
	3,651,298	3,326,744
Non-current		
Obligation under capital lease (Note 9)	360,976	462,872
Long-term debt (Note 10)	848,000	384,000
Deferred contributions for capital purposes (Note 8)	1,028,888	1,328,802
Unamortized deferred capital contributions (Note 11)	30,418,857	31,485,165
	32,656,721	33,660,839
Net assets		
Endowments (Note 12)	2,753,921	2,711,535
Investment in capital assets	3,277,475	3,199,428
Internally restricted net assets (Note 13)	1,227,146	1,381,382
Unrestricted net assets	291,346	-
	7,549,888	7,292,345
	$ 43,857,907	$ 44,279,928

The accompanying notes are part of these consolidated financial statements.

GRANDE PRAIRIE REGIONAL COLLEGE
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED JUNE 30, 2003

	2003		2002
	Budget (Note 15)	Actual	Actual
Revenue			
Grants (Note 16)	$ 15,867,692	$ 16,182,897	$ 15,741,645
Tuition and related fees	5,497,115	6,113,173	5,691,583
Sales, rentals and services (Note 17)	2,108,550	2,615,312	2,406,496
Contract programs	1,094,832	953,686	1,074,784
Fund raising and donations	461,000	666,471	668,618
Investments	258,000	223,286	355,007
Gain on disposal of capital assets	-	20,038	-
	25,287,189	26,774,863	25,938,133
Amortization of deferred capital contributions (Note 11)	1,685,000	1,535,393	1,597,661
	26,972,189	28,310,256	27,535,794
Expense (Note 18)			
Salaries and benefits (Note 19)	17,301,360	17,772,363	17,959,970
Supplies and services	5,555,725	6,266,000	5,689,942
Amortization of capital assets	2,232,000	2,190,129	2,130,128
Utilities	668,599	903,178	705,635
Cost of goods sold	738,505	788,005	743,297
Scholarships and bursaries	226,000	210,424	284,510
Loss on disposal of capital assets	-	-	4,744
	26,722,189	28,130,099	27,518,226
Excess of revenue over expense	$ 250,000	$ 180,157	$ 17,568

GRANDE PRAIRIE REGIONAL COLLEGE
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2003

	2003					2002
	Endowments	Investment in Capital Assets	Internally Restricted Net Assets	Unrestricted Net Assets	Total	Total
Excess of revenue over expense	$ -	$ -	$ -	$ 180,157	$ 180,157	$ 17,568
External endowment contributions	42,386	-	-	-	42,386	165,996
Capital Assets Donated	-	35,000	-	-	35,000	150,000
Transfers						
Acquisition of internally funded capital assets	-	597,250	-	(597,250)	-	-
Payment of capital lease principal	-	90,313	-	(90,313)	-	-
Payment of long term debt principal	-	16,000	-	(16,000)	-	-
Net book value of disposal of capital assets	-	(5,780)	-	5,780	-	-
Amortization of internally funded capital assets	-	(654,736)	-	654,736	-	-
Internal restrictions	-	-	(154,236)	154,236	-	-
Increase (decrease) in net assets	42,386	78,047	(154,236)	291,346	257,543	333,564
Net assets at beginning of year	2,711,535	3,199,428	1,381,382	-	7,292,345	6,958,781
Net assets at end of year	$ 2,753,921	$ 3,277,475	$ 1,227,146	$ 291,346	$ 7,549,888	$ 7,292,345

GRANDE PRAIRIE REGIONAL COLLEGE
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2003

	2003	2002
Operating activities		
Excess of revenue over expense	$ 180,157	$ 17,568
Add (deduct) non-cash transactions		
Amortization of capital assets	2,190,129	2,130,128
Loss (gain) on disposal of capital assets	(20,038)	4,744
Amortization of deferred capital contributions	(1,535,393)	(1,597,661)
Amortization of investment discount	(121,792)	(163,331)
	693,063	391,448
Changes in non-cash working capital (Note 22)	129,647	32,163
Cash generated from operating activities	822,710	423,611
Investing activities		
Proceeds on disposal of capital assets	25,819	127,241
Acquisition of capital assets	(1,601,336)	(2,346,986)
Purchase of investments	(9,699,376)	(7,689,520)
Disposal of investments	9,457,665	7,863,615
Cash applied to investing activities	(1,817,228)	(2,045,650)
Financing activities		
Proceeds of capital loan	500,000	400,000
Payment of capital lease principal	(90,313)	(79,728)
Payment of long term debt principal	(16,000)	-
Endowment contributions	42,386	165,996
Property donated	35,000	150,000
Capital contributions (Note 8)	169,171	1,440,930
Cash generated from financing activities	640,244	2,077,198
Increase in cash	(354,274)	455,159
Cash at beginning of year	1,199,369	744,210
Cash at end of year	$ 845,095	$ 1,199,369

Note 1 Authority and Purpose

Grande Prairie Regional College (the "College") operates under the authority of the Colleges Act, Chapter C-19, Revised Statutes of Alberta 2000. The College is a registered charity and is exempt from the payment of income taxes under the Income Tax Act (Canada).

The College's purpose is to provide students with university transfer, on-campus degree completion, career training, post-secondary preparatory and continuing education programs that contribute to the economic and social well-being of the region.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

(a) Basis of Presentation

These consolidated financial statements include the accounts of the Grande Prairie Regional College Foundation (the "Foundation"), which operates under the Alberta Companies Act and is a registered charitable organization for income tax purposes. The Foundation's activities are directed to the support and advancement of the College.

(b) Revenue Recognition

Unrestricted contributions are recognized as revenue when they are received.

Externally restricted non-capital contributions are deferred and recognized as revenue in the period the related expenses are incurred.

Externally restricted capital contributions are deferred until the related capital asset is acquired. Contributions for capital assets that will be amortized are transferred to unamortized deferred capital contributions in the period the asset is acquired and are recognized as revenue in the periods the related capital assets are amortized. Contributions for capital assets that will not be amortized, such as land, are recorded as direct increases in net assets in the period the asset is acquired.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(b) Revenue Recognition (continued)

Externally restricted endowment contributions are recorded as direct increases in net assets.

Government grants are accounted for as unrestricted or externally restricted contributions in accordance with the terms of funding.

Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

Amounts received for tuition and related fees, sales, rentals and services and contract programs are recorded as unearned revenue and recognized as revenue in the period the goods are delivered or the services are provided.

(c) Endowments

Endowments represent restricted donations and amounts designated as endowments by the Board of Directors of the Foundation. Principal is to be held intact. Interest earned on endowments must be used in accordance with the conditions imposed by the donors' terms of reference or by Board policy.

(d) Internally Restricted Net Assets

Internally restricted net assets are amounts set aside by the College Board of Governors to be used for designated purposes.

(e) Long-term Investments

Investments are recorded at cost. Gains and losses on investments are recognized in the period of disposal or when there is an impairment other than temporary, in the value of the investment.

(f) Cash, Receivables, Payables, and Accruals

The carrying value of cash, receivables, payables and accruals approximate their fair values due to the relatively short periods of maturity of the instruments.

(g) Capital Assets

Capital asset acquisitions are recorded at cost, except donated assets which are recorded at fair value when a fair value can be reasonably determined.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(g) Capital Assets (continued)

Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	25 to 40 years
Site improvements	25 years
Furnishings and equipment	5 to 15 years
Vehicles	5 years
Library materials	10 years
Leasehold improvements	5 years

(h) Art Collection

The College holds a collection of approximately 2,600 works of donated art, consisting of sketches, limited edition prints, photographs, and some original paintings. The collection is held by the College for educational use and for public exhibition. The Board of Governors passed a resolution requiring the art to be cared for and preserved.

Collection artworks are not recognized as assets in the Consolidated Statement of Financial Position. Any proceeds from their sale or disposal may be used only to acquire other art for the collection or to care for the existing collection. Purchased art added to the collection will be expensed in the year of acquisition. To date, no artwork has been purchased for this collection.

(i) Inventories

Inventories for resale are valued at the lower of cost and estimated net realizable value. Cost is determined on a first-in, first-out basis. Inventories held for consumption are valued at the lower of cost and replacement value.

(j) Pensions

The College participates in the Local Authorities Pension Plan. This pension plan is a multi-employer defined benefit pension plan that provides pensions for the College's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the pension plan. The College's portion of the pension plan's deficit or surplus is not recorded by the College.

Note 3 Inventories

	2003	2002
Bookstore	$ 273,054	$ 248,546
Duplicating Services	22,396	17,805
Financial Services	7,462	5,650
Climbing Gym	2,079	2,861
	$ 304,991	$ 274,862

Note 4 Long-term Investments

	2003		2002	
	Book Value	Market Value	Book Value	Market Value
Bonds and bank notes				
Government of Canada bonds	$ 1,100,000	$ 1,182,401	$ 1,100,000	$ 1,135,264
Provincial bonds	3,217,710	3,347,356	2,947,958	2,963,536
Canadian bank notes	1,018,685	1,017,919	808,610	812,025
Corporate bonds	550,223	569,323	521,302	481,021
	5,886,618	6,116,999	5,377,870	5,391,846
Equities	524,430	511,992	669,675	613,233
	$ 6,411,048	$ 6,628,991	$ 6,047,545	$ 6,005,079

Note 4 Long-term Investments (continued)

Bonds and bank notes by range of maturity date are as follows:

	2003		
	Book Value	Market Value	Effective Yield to Maturity
Maturity 1 - 5 years	$ 3,487,435	$ 3,643,470	5.2%
Maturity 6 - 10 years	1,537,279	1,616,057	5.8%
Maturity 11- 15 years	695,319	706,024	5.9%
Maturity 16- 20 years	166,585	151,448	5.3%
	$ 5,886,618	$ 6,116,999	5.3%

The market value may fluctuate with changes in current interest rates. Market values may decrease if interest rates increase and market values may increase if interest rates decrease.

Term to maturity is based upon the contractual maturity of the security. Effective yield represents the rate that discounts future cash receipts to the carrying value of the investments at June 30, 2003

Where fair value is less than cost, in management's best judgment, and based on market trends, the fair value will likely recover over time.

Note 5 Capital Assets

	2003			2002
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 713,631	$ -	$ 713,631	$ 713,631
Buildings	49,762,010	18,586,011	31,175,999	31,817,311
Site improvements	1,279,036	1,144,412	134,624	161,855
Furnishings, equipment and vehicles	11,453,296	9,184,053	2,269,243	2,218,076
Library materials	1,522,280	772,573	749,707	722,813
Leasehold improvements	-	-	-	4,092
	$ 64,730,253	$ 29,687,049	$ 35,043,204	$ 35,637,778

Note 6 Unearned Revenue

	2003	2002
Tuition and other student fees	$ 191,441	$ 116,575
Sales, rentals and services	8,218	-
	$ 199,659	$ 116,575

Note 7 Four-for-five Leave Plan

Employees of the College who are members of the Academic Staff Association or the Employees Association are eligible to apply for a four-for-five leave plan. Employees' contributions are held by the College until the leave period when they are paid to the employee as salary with a matching amount from the College. Employees' contributions are held by the College and recorded as a liability. The College matching amount and interest earned on the employees' contributions are also recorded as a liability until paid to the employee.

	2003	2002
Employees' contributions held by College	$ 228,042	$ 156,368
College matching contributions	228,042	147,148
Interest held on employees' contributions	9,591	5,042
	$ 465,675	$ 308,558

Note 8 Deferred Contributions

Deferred contributions represent unspent funds externally restricted. Changes in the deferred contributions balances for non-capital and for capital purposes are as follows:

Deferred contributions - conditional grants, donations, and other deferred contributions

	2003	2002
Contributions received during the year	$ 1,524,441	$ 3,143,643
Transferred from deferred contributions- capital	291,459	-
Transferred to revenue	(1,732,847)	(3,001,461)
Transferred to endowments	(42,285)	(165,996)
Decrease during the year	40,768	(23,814)
Balance at beginning of year	421,771	445,585
Balance at end of year	$ 462,539	$ 421,771
The balance consists of funds restricted for:		
Scholarships and bursaries	$ 330,703	$ 307,788
Theatre	75,221	70,587
S.J. Alward library fund	7,169	11,941
Residence campaign	-	-
Other	49,446	31,455
	$ 462,539	$ 421,771

Deferred contributions - capital purposes

	2003	2002
Contributions received during year	$ 460,630	$ 1,440,930
Transferred to deferred contributions - operating	(291,459)	-
Transferred to unamortized deferred capital contributions (Note 11)	(469,085)	(362,048)
Increase (decrease) during the year	(299,914)	1,078,882
Balance at beginning of year	1,328,802	249,920
Balance at end of year	$ 1,028,888	1,328,802

Note 9 Obligation Under Capital Lease

The following is a schedule of future minimum annual lease payments:

2004	$ 135,282
2005	139,341
2006	143,521
2007	122,391
Total minimum lease payments	540,535
Less amount representing interest	77,663
Capital lease obligation	462,872
Less current portion	101,896
Non-current portion	$ 360,976

The capital lease obligation bears interest at 7.1% and expires on May 4, 2007.

Note 10 Long-Term Debt

	Principal Outstanding	
	2003	2002
Student residence - debenture (a)	$ 384,000	$ 400,000
Student residence - debenture (b)	500,000	-
Less current portion	(36,000)	(16,000)
	$ 848,000	$ 384,000

Note 10 Long-Term Debt (continued)

(a) On November 15, 2001, the College borrowed the sum of $ 400,000 from Alberta Capital Financing Authority as a construction loan to build a new student residence. The loan bears interest at 6% and matures November 15, 2026 with 25 annual payments of principal and interest beginning November 15, 2002.

The repayment of principal in the next five fiscal years is as follows:

2004	$ 16,000
2005	16,000
2006	16,000
2007	16,000
2008	16,000

The student residence loan is secured by a general security agreement over all proceeds derived directly or indirectly from the operations of the residence building named Resources Place.

(b) On July 15, 2002, the College borrowed the sum of $500,000 from Alberta Capital Financing Authority as a construction loan to build a new student residence. The loan bears interest at 6.125% and matures July 15, 2027 with 25 annual payments of principal and interest beginning July 15, 2003.

The repayment of principal in the next five fiscal years is as follows:

2003	$ 20,000
2004	20,000
2005	20,000
2006	20,000
2007	20,000

The student residence loan is secured by a general security agreement over all proceeds derived directly or indirectly from the operations of the residence building named Resources Place.

Note 11 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the externally funded portion of capital assets, which will be recognized as revenue in future periods. Changes in the unamortized deferred capital contribution balance are as follows:

	2003	2002
Balance at beginning of year	$ 31,485,165	$ 32,720,778
Add amount transferred from deferred contributions (Note 8)	469,085	362,048
Less amount amortized to revenue	(1,535,393)	(1,597,661)
Balance at end of year	$ 30,418,857	$ 31,485,165

Note 12 Endowments

Endowments are comprised of donations received by the organization and interest earnings that have been redirected to principal as requested by the donor of the original endowment. Externally restricted endowments are required to be maintained intact in accordance with the donor's wishes.

	Balance at Beginning of Year	Contributions and Transfers	Reinvested Earnings	Balance at End of Year
Externally Restricted				
Scholarships fund	$ 1,168,067	$ 41,975	$ 311	$ 1,210,353
S.J. Alward library fund	618,550	-	-	618,550
	1,786,617	41,975	311	1,828,903
Internally Restricted				
Scholarships fund	472,027	100	-	472,127
Athletic fund	300,902	-	-	300,902
Theatre fund	78,682	-	-	78,682
Foundation fund	73,307	-	-	73,307
	924,918	100	-	925,018
	$ 2,711,535	$ 42,075	$ 311	$ 2,753,921

Note 12 Endowments (continued)

The S.J. Alward library fund contains funds contributed by the Alward estate and the Province of Alberta matching grants for use in connection with the College Library. These funds were placed in the library endowment fund by the Grande Prairie Regional College Foundation Board of Directors, with the agreement of the Alward Estate.

Note 13 Internally Restricted Net Assets

The Management of the College with the approval of the Board of Governors has placed restrictions on the spending of a portion of the accumulated excess of revenue over expenditure for specific purposes as shown below.

The Management of the College may spend these internally restricted amounts for these purposes. They are not available for any other purposes without the approval of the Board.

	2003	2002
Capital		
Student residence	$ 102,456	$ 149,020
Physical activity centre	77,468	125,491
Other departments	71,878	76,946
Duplicating Services	50,000	200,000
	301,802	551,457
Non-capital		
College operating expenses	624,430	563,670
Foundation - internally restricted	300,914	266,255
	925,344	829,925
	$ 1,227,146	$ 1,381,382

Note 14 Commitments

Professional Leave

Effective August 15, 1998, the College has agreed under Article 12 of the collective agreement with the Academic Staff Association to provide a total of 48 months of paid professional leave to members of the Academic Staff Association each contract period (August 15 to August 14). Members of the Administrative Group may request approval for paid professional leave.

At June 30, 2003, the following commitments have been made under the above agreement, for which no provision has been made in the financial statements.

	2003	2002
Academic Staff		
July 1, 2003 to August 14, 2003	$ 28,139	$ 22,594
August 15, 2003 to August 14, 2004	262,226	222,532
	$ 290,365	$ 245,126

Note 15 Budget

On April 23, 2002 the Board of Governors approved a revenue and expense budget for Grande Prairie Regional College for 2002-2003. The budget approved provided an annual operating excess of revenue over expense of $250,000. On March 19, 2002 the Board of Directors of the Foundation approved a budget for 2002-03 with operating revenue equal to expense.

The two budgets have been consolidated and presented in the Consolidated Statement of Operations.

Note 16 Grants Revenue

	2003	2002
Department of Learning		
Base	$ 15,223,495	$ 14,735,635
Conditional	724,280	715,988
Province of Alberta, other	185,459	288,198
	16,133,234	15,739,821
Government of Canada	49,663	1,824
	$ 16,182,897	$ 15,741,645

Note 17 Sales, Rentals and Services

	2003		
	Revenue	Expense	Net
Sale of Logs	$ 197,796	$ 177,022	$ 20,774
Parking	128,901	2,724	126,177
Bookstore	1,021,311	967,999	53,312
Food Services and Vending	42,474	6,298	36,176
Conference Services	30,298	5,197	25,101
Research Unit	25,434	23,601	1,833
Fitness Centre	135,558	131,212	4,346
National Volleyball Event	921	188	733
Student Residence	566,074	578,269	(12,195)
Climbing Gym	69,425	88,414	(18,989)
Other	397,120	7,379	389,741
	$ 2,615,312	$ 1,988,303	$ 627,009

	2002		
	Revenue	Expense	Net
Parking	$ 125,206	$ 5,223	$ 119,983
Utility Rebate	107,960	-	107,960
Bookstore	1,004,935	916,895	88,040
Food Services and Vending	38,687	1,100	37,587
Fitness Centre	137,139	107,377	29,762
Climbing Gym	78,155	80,060	(1,905)
Research Unit	17,270	29,282	(12,012)
National Volleyball Event	40,686	55,674	(14,988)
Student Residence	489,432	523,675	(34,243)
Other	367,026	312	366,714
	$ 2,406,496	$ 1,719,598	$ 686,898

The National Volleyball Event received donations in 2002–03 and in 2001–02 that are reported as donations on the Consolidated Statement of Operations and are not included in the amounts listed for Sales, Rentals, and Services.

2002–03 Donations for National Volleyball Event	$5,000
2001–02 Donations for National Volleyball Event	$20,250

Note 18 Expense

Expense is summarized by function as follows:

	2003	2002
Direct instruction	$ 13,845,314	$ 13,567,735
Institutional support	6,545,931	6,329,156
Amortization of capital assets	2,190,129	2,130,128
Academic support	1,810,527	1,875,762
Ancillary services	1,988,303	1,719,598
Student services	1,539,471	1,606,593
Scholarships	210,424	284,510
Loss on disposal of capital assets	-	4,744
	$ 28,130,099	$ 27,518,226

Direct instruction encompasses all formal educational and instructional program elements. Institutional support includes all activities that provide College-wide support to other programs. Academic support includes all activities that directly support the educational and instructional elements such as academic, administration, library and audio-visual services. Student services include all activities or services to the student body of the College.

Note 19 Salaries and Benefits

	2003			2002
	Salaries(1)	Employee Benefits (2), (3)	Total	Total
Chairman of the Board	$ 5,185	$ 72	$ 5,257	$ 5,187
Board Members(4)	30,507	341	30,848	33,098
President	120,000	17,302	137,302	127,880
Past President(5)	9,550	10,286	19,836	23,927
Vice Presidents				
Academic	100,821	14,114	114,935	101,206
College Services	109,050	14,114	123,164	114,578
College Services - acting	-	-	-	-
Executive Director				
Advancement	86,172	13,510	99,682	92,282
Directors				
Workforce Development	73,661	12,241	85,902	40,988
Computer and Telecommunication Services	87,657	13,245	100,902	93,790
Human Resources	86,172	13,124	99,296	91,964
Financial Services	79,671	12,648	92,319	85,547
Campus Operations	86,172	13,192	99,364	91,977
Registrar	86,172	13,124	99,296	91,964

(1) Salaries include regular base pay, honoraria and all other direct cash remuneration.

(2) Benefits and allowances represent the College's share of employee benefits including Canada Pension Plan, Employment Insurance, pensions, health care, dental coverage, group life insurance, accidental death and dismemberment insurance.

(3) An automobile allowance is provided to the President, Vice-President – Academic and the Vice-President – College Services of the College and to the Executive Director – Advancement of the Foundation. Automobile allowances are not included in the amounts reported in this note.

(4) The Chairman of the Board and three Board members donated a portion of their remuneration to the Grande Prairie Regional College Foundation in the amount of $6,410, (2002 $4,276).

(5) Employee benefits include $9,697 for vacation paid (2002 -$12,311).

Note 20 Pension Costs

The pension expense recorded in these financial statements is the College's annual contributions to the Local Authorities Pension Plan of $697,946 for the year ended June 30, 2003 (2002 $645,572).

At December 31, 2002 the Plan reported a deficit of $445 million (2000 $635 million surplus).

Note 21 Related Party

Province of Alberta

The College is a Provincial Corporation as all members of the Board of Governors are appointed by combination of an Order by the Lieutenant Governor in Council and the Minister of Learning. Grants revenue transactions between the College and the Province are disclosed in the College consolidated financial statements as follows:

	2003		
	Revenue	Transferred to Unamortized Capital Contributions	Deferred Contributions
Operations	$ 15,211,495	$ -	$ -
Access	427,472	12,141	11,088
Infrastructure renewal	272,526	62,575	925,546
Site evaluation	18,933	-	1,067
Unfunded enrolment	12,000	-	-
Other	190,808	-	-
	$ 16,133,234	$ 74,716	$ 937,701

	2002		
	Revenue	Transferred to Unamortized Capital Contributions	Deferred Contributions
Operations	$ 14,086,321	$ -	$ -
Performance	568,483	-	-
Access	388,972	18,687	23,230
Infrastructure renewal	307,688	99,611	1,260,646
Unfunded enrolment	74,000	-	-
Learning enhancement	26,158	-	-
Site evaluation	-	-	20,000
Other	288,199	-	-
	$ 15,739,821	$ 118,298	$ 1,303,876

During the year the College had business transactions with other entities controlled by the Province of Alberta. These transactions were at market prices on normal terms of purchase and sale.

Note 22 Changes in Non-cash Working Capital

	2003	2002
Accounts receivable	$ (120,302)	$ (131,705)
Inventories	(30,129)	(31,288)
Prepaid expenses	(12,893)	(40,456)
Accounts payable	(59,439)	16,223
Accrued vacation pay	71,441	36,362
Unearned revenue	83,084	29,544
Self-funded Leave Plan	-	-
Four-for-five Leave Plan	157,117	177,297
Deferred contributions	40,768	(23,814)
	$ 129,647	$ 32,163

Note 23 Approval of Financial Statements

These consolidated financial statements were approved by the Board of Governors.

GRANT MacEWAN COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2003

Auditor's Report

Consolidated Statement of Financial Position

Consolidated Statement of Revenue and Expense

Consolidated Statement of Changes in Net Assets

Consolidated Statement of Cash Flows

Notes to the Consolidated Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Governors of Grant MacEwan College

I have audited the consolidated statement of financial position of Grant MacEwan College as at June 30, 2003 and the consolidated statements of revenue and expense, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Grant MacEwan College as at June 30, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
October 10, 2003

GRANT MacEWAN COLLEGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2003

	2003	2002 (As restated - Note 18)
ASSETS		
Current:		
Cash and temporary investments	$ 14,835,831	$ 17,997,677
Accounts receivable	2,166,037	2,247,091
Inventories (Note 3)	1,780,469	1,140,321
Prepaid expenses	562,659	699,965
	19,344,996	22,085,054
Investments (Note 4)	24,150,300	28,382,194
Capital assets (Note 5)	152,749,450	147,950,918
	$ 196,244,746	$ 198,418,166
LIABILITIES AND NET ASSETS		
Current:		
Accounts payable and accrued liabilities	$ 7,371,645	$ 6,641,418
Accrued vacation pay	4,394,847	4,187,111
Unearned revenue (Note 6)	4,247,456	3,649,230
Deferred contributions (Note 7)	1,922,188	6,289,026
Current portion of long term debt	184,992	127,122
	18,121,128	20,893,907
Deferred capital contributions (Note 7)	1,789,213	1,756,790
Unamortized deferred capital contributions (Note 8)	99,075,827	100,815,326
Long term debt (Note 9)	6,090,670	6,040,630
	125,076,838	129,506,653
Net Assets:		
Endowments (Note 10)	10,269,591	10,875,502
Investment in capital assets	47,397,962	40,967,838
Internally restricted net assets	411,332	245,075
Unrestricted	13,089,023	16,823,098
	71,167,908	68,911,513
	$ 196,244,746	$ 198,418,166

The accompanying notes and schedules are part of these financial statements.

GRANT MacEWAN COLLEGE
CONSOLIDATED STATEMENT OF REVENUE AND EXPENSE
FOR THE YEAR ENDED JUNE 30, 2003

	2003	2002 (As restated - Note 18)
Revenue		
Grants (Note 11)	$ 48,818,463	$ 45,717,307
Tuition and related fees	41,491,656	37,761,746
Contract programs	3,930,582	2,968,249
Sales, rentals and services	16,082,960	14,398,521
Amortization of deferred capital contributions (Note 8)	4,915,159	3,950,078
Investment earnings (loss) (Note 12)	(982,148)	1,043,744
Donations	2,315,738	2,017,800
	116,572,410	107,857,445
Expense		
Salaries and benefits (Note 14)	73,690,895	67,884,986
Supplies and services	20,457,290	18,578,019
Amortization of capital assets	8,792,920	7,605,038
Cost of goods sold	6,235,870	5,908,398
Utilities	3,391,325	3,321,274
Interest on long term debt	383,627	391,588
Scholarships and bursaries	618,521	550,019
	113,570,448	104,239,322
Excess of revenue over expense	$ 3,001,962	$ 3,618,123

GRANT MacEWAN COLLEGE
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2003

	2003					2002
	Endowments (Note 10)	Investment in Capital Assets	Internally Restricted	Unrestricted	Total	Total (As restated - Note 18)
Excess of revenue over expense	$ -	$ -	$ -	$ 3,001,962	$ 3,001,962	$ 3,618,123
Endowment contributions	573,125				573,125	395,549
Transfers for:						
Endowment unrealized investment income loss	(1,318,692)				(1,318,692)	
Acquisition of internally funded capital assets		10,180,548		(10,180,548)	-	-
Repayment of debt related to capital assets		165,036		(165,036)	-	-
Amortization of internally funded capital assets		(3,877,761)		3,877,761	-	-
Disposal of internally funded assets		(37,699)		37,699	-	-
Net appropriations to restricted funds	139,656		166,257	(305,913)	-	-
Increase / (decrease) in net assets	(605,911)	6,430,124	166,257	(3,734,075)	2,256,395	4,013,672
Net assets at beginning of year (as restated - Note 18)	10,875,502	40,967,838	245,075	16,823,098	68,911,513	64,897,841
Net assets at end of year	$ 10,269,591	$ 47,397,962	$ 411,332	$ 13,089,023	$ 71,167,908	$ 68,911,513

GRANT MacEWAN COLLEGE
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2003

	2003	2002 (As restated - Note 18)
Operating activities:		
Excess of revenue over expense	$ 3,001,962	$ 3,618,123
Non-cash transactions:		
Amortization of capital assets	8,792,920	7,605,038
Loss on disposal of capital assets	29,437	332,484
Loss on write-down of investments (Note 12)	2,228,349	-
Amortization of deferred capital contributions	(4,915,159)	(3,950,078)
	9,137,509	7,605,567
Change in non-cash working capital (Note 13)	(2,182,056)	724,347
Cash generated from operating activities	6,955,453	8,329,914
Investing activities:		
Acquisition of capital assets:		
Internally funded	(10,180,548)	(4,802,822)
Externally funded	(3,175,660)	(6,379,952)
Debt funded	(272,947)	-
Proceeds on disposal of capital assets	8,266	7,333
Disposal of long term investments	684,853	300,147
Cash applied to investing activities	(12,936,036)	(10,875,294)
Financing activities:		
Endowment contributions	573,125	396,549
Capital asset contributions (Note 8)	3,175,660	6,617,808
Deferred capital contributions	32,423	250,420
Increase (decrease) in construction payables	(1,070,381)	2,555,439
Increase (repayment) of long-term debt	107,910	(582,494)
Cash generated from financing activities	2,818,737	9,237,722
Increase / (Decrease) in cash and temporary investments	(3,161,846)	6,692,342
Cash and temporary investments, beginning of year	17,997,677	11,305,335
Cash and temporary investments, end of year	$ 14,835,831	$ 17,997,677

Note 1 Authority and Purpose

Grant MacEwan College operates under the authority of the Colleges Act, Chapter G-19, Revised Statutes of Alberta 2000. The College offers applied degree, diploma and certificate programs in arts and science, business, health and community studies, and performing, visual and communication arts. The College also offers first and second year university transfer programs in arts and science, physical education, nursing, engineering and commerce. Through its outreach activities, the College offers credit and non-credit courses in these programs on an outreach basis within greater Edmonton, and on brokerage and outreach basis to other areas of the Province, nationally and beyond.

The College is exempt under Section 149 of the Income Tax Act from payment of income taxes.

Note 2 Significant Accounting Policies and Reporting Practices

(a) Consolidated Statements

These consolidated financial statements include the accounts of the Grant MacEwan College Foundation, which operates under part 9 of the Companies Act of Alberta for the support and advancement of the College. The Foundation is a registered charity and is exempt from payment of income taxes.

(b) Revenue Recognition

Unrestricted contributions are recognized as revenue in the period they are receivable.

Externally restricted non-capital contributions are deferred and recognized as revenue in the period in which the conditions of the grant are met. Non-capital donations of materials and services that would otherwise have been purchased are accounted for as externally restricted non-capital contributions, at fair value when a fair value can be reasonably estimated.

Externally restricted capital contributions are recorded as deferred contributions until the amount is invested in capital assets. Contributions for capital assets that will be amortized are transferred to unamortized deferred capital contributions in the period the asset is acquired. Contributions for capital assets that will not be amortized, such as land and art collections, are not transferred to unamortized deferred capital contributions or recognized as revenue, but are recorded as direct increases in net assets in the period the asset is acquired. Capital donations of assets that would otherwise be purchased are accounted for as externally restricted capital contributions, at fair value when a fair value can be reasonably estimated.

Unamortized deferred capital contributions are recognized as revenue in the periods in which the related capital assets are amortized. The related portion of amortization expense and the deferred capital contributions revenue are matched to indicate how the related amortization expense has been funded. Unamortized deferred capital contributions relating to capital assets disposed of are recognized as revenue in the period of disposal, provided that all restrictions have been complied with.

Government grants are accounted for as unrestricted contributions or externally restricted contributions in accordance with the terms of funding.

Externally restricted contributions made for endowment purposes are not recognized as revenue, but are recorded as direct increases in net assets.

Investment earnings on unrestricted contributions are recognized as revenue when realized. Investment earnings on externally restricted endowments are recognized when the related expenditures have been incurred.

Amounts received for tuition fees, contract programs and sales, rentals and services are classified as unearned revenue and recognized as revenue in the period the goods are delivered or the services are provided.

(c) Valuation of Accounts Receivable, Accounts Payable and Accrued Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable , willing parties who are under no compulsion to act. The fair value of accounts receivable, accounts payable and accrued liabilities are estimated to approximate their carrying values.

(d) Investments

Investments are recorded at market value or amortized cost (whichever is lower). Gains and losses on investments are recognized upon liquidation, or when there is other than temporary impairment in the value of an investment. The measurement of the value of the long term investments is contingent upon future events in the financial markets; therefore, the preparation of these statements requires the use of estimates, which may vary from actual results.

(e) Capital Assets

Capital asset acquisitions are recorded at cost, except donated assets, which are recorded at fair market value. Land and art collections are not amortized.

Capital assets (including equipment under capital lease) are amortized on a straight-line basis over the following average useful lives:

Buildings and site improvements	10 to 40 years
Furniture, equipment and vehicles	10 years
Library materials	10 years
Computers and telecommunications equipment	5 years

(f) Inventories

Inventories for resale are valued at the lower of cost or net realizable value, with cost determined on a moving average basis.

(g) Pension Obligation and Expense

The College and its eligible employees participate in the Local Authorities Pension Plan which is a multi-employer defined benefit plan. The College records an expense for pension benefits equivalent to the annual contributions payable during the year. Accounting treatment for multi-employer pension plans is the same as for defined contribution plans and, therefore, no plan deficits or surplus' are recorded in the College accounts.

Note 3 Inventories

	2003	2002 (As restated - Note 18)
Bookstores	$ 1,647,729	$ 1,072,374
Other inventories	132,740	67,947
	$ 1,780,469	$ 1,140,321

Note 4 Investments

(a) Temporary Investments

Temporary investments consist of investments in Bankers' Acceptance and Bearer Deposit Notes which are managed by the College. Temporary investments are recorded at cost plus accrued interest which approximates their fair market value.

(b) Long-Term Investments

	2003		2002
	Market Value	Adjusted Cost	Cost (As restated - Note 18)
Pooled Funds			
Common stocks and equivalents	$ 14,296,518	$ 16,161,144	$ 20,794,728
Fixed income securities	6,530,501	6,277,018	5,691,326
Cash and equivalents	865,364	865,364	1,121,355
Cash surrender value of planned gifts (life insurance policies)	555,832	555,832	507,923
Other	290,942	290,942	266,862
	$ 22,539,157	$ 24,150,300	$ 28,382,194

In Management's best judgment, based on market trends and stocks of companies held within pooled funds, the fair market value of investments will recover over time. Investments are recorded at cost, which in the case of common stocks, has been adjusted to reflect the impairment in value (see Note 12).

Note 5 Capital Assets

	2003			2002
	Cost	Accumulated Amortization	Net Book Value	Net Book Value (As restated - Note 18)
Land	$ 21,956,424	$ -	$ 21,956,424	$ 21,934,957
Buildings and site improvements	153,003,350	(40,401,957)	112,601,393	106,109,962
Furniture, equipment and vehicles	16,186,736	(9,134,372)	7,052,364	6,018,828
Library materials	7,389,579	(4,742,501)	2,647,078	2,263,495
Computers and telecommunications equipment	20,189,059	(14,095,346)	6,093,713	5,843,898
Equipment under capital lease	272,947	(36,390)	236,557	-
Art collection	211,492	-	211,492	211,492
Projects In Progress	1,950,429	-	1,950,429	5,568,286
	$ 221,160,016	$ (68,410,566)	$ 152,749,450	$ 147,950,918

Note 6 Unearned Revenue

	2003	2002 (As restated - Note 18)
Contract programs & tuition fees	$ 2,279,074	$ 3,005,021
Program deposits	1,735,672	430,014
Ancillary services - MacEwan Centre for Sport & Wellness	232,710	214,195
	$ 4,247,456	$ 3,649,230

Note 7 Deferred Contributions

	2003	2002 (As restated - Note 18)
Contributions received and receivable:		
Grants - Province of Alberta	$ 8,760,491	$ 15,578,627
Grants - Other	663,916	792,757
Donations	1,372,074	1,604,309
Investment Earnings / (Loss) (Note 12)	(625,057)	(151,209)
	10,171,424	17,824,484
Transferred to revenue:		
Grants:		
Grants - Province of Alberta (Note 11)	(9,437,793)	(8,006,072)
Grants - Other (Note 11)	(697,858)	(758,590)
Donations	(586,982)	(846,432)
Investment Earnings (Note 12)	(607,546)	(642,611)
	(11,330,179)	(10,253,705)
Transferred (to)/from:		
Unamortized deferred capital contributions (Note 8)	(3,175,660)	(6,617,808)
Increase (decrease) during the year	(4,334,415)	952,971
Deferred contributions, beginning of year	8,045,816	7,092,845
Deferred contributions, end of year	$ 3,711,401	$ 8,045,816

The balance of deferred contributions is comprised of:

	2003	2002
Scholarships and bursaries	$ 698,779	$ 1,897,038
Program delivery	1,223,409	4,391,988
	1,922,188	6,289,026
Capital projects	1,789,213	1,756,790
	$ 3,711,401	$ 8,045,816

Note 8 Unamortized Deferred Capital Contributions

	2003	2002 (As restated - Note 18)
Balance at beginning of year	$ 100,815,326	$ 98,251,656
Transferred from deferred contributions (Note 7)	3,175,660	6,617,808
Disposals	-	(104,060)
Less amount amortized to revenue	(4,915,159)	(3,950,078)
Balance at end of year	$ 99,075,827	$ 100,815,326

Unamortized deferred capital contributions represent the external funding of capital assets which will be recognized as revenue in future periods.

Note 9 Long-term Debt

The College issued a debenture of $6,400,000 at the rate of 6.25% per annum to Alberta Capital Financing Authority on April 3, 2000 to finance the construction of a stand-alone parking facility at the City Centre Campus. The debenture matures on April 3, 2025. The debenture is secured by the future revenues of the parkade.

Repayment of the principal and interest is funded by revenues generated from the parkade. The repayment schedule for the next five fiscal years will be as follows:

2004	$ 512,606
2005	512,606
2006	512,606
2007	512,606
2008	512,606
Total:	$2,563,030

The following is a schedule of future minimum payments under the capital lease expiring August 31, 2007 together with the balance of the obligation under capital lease. Repayment of principal and interest, next five years

2004	$ 65,760
2005	65,760
2006	65,760
2007	65,760
2008	11,118
Total	274,158
Less: Amount representing Interest @7.453%	(39,126)
Balance of the Lease obligation	$ 235,032

Note 10 Endowments

	2003	2002 (As restated - Note 18)
Endowments consist of funds held to provide scholarships and support College programs:		
Externally funded	$ 10,914,450	$ 10,124,356
Internally funded	673,833	751,146
	11,588,283	10,875,502
Unrealized loss on endowment investments (Note 12)	(1,318,692)	-
	$ 10,269,591	$ 10,875,502

Note 11 Grants

	2003	2002 (As restated - Note 18)
Province of Alberta		
Base operating grant	$ 38,682,812	$ 36,952,645
Earned conditional funding	9,437,793	8,006,072
	48,120,605	44,958,717
Earned conditional Government of Canada funding	697,858	758,590
	$ 48,818,463	$ 45,717,307

Note 12 Investment Earnings

	2003			2002
	Realized Investment (Loss) Income	Unrealized Investment (Loss) Income	Total	Total (As restated - Note 18)
(Loss) on restricted endowments	$ (117,957)	$ (1,825,792)	$ (1,943,749)	$ (151,209)
(Loss) income on unrestricted investments	638,655	(2,228,349)	(1,589,694)	401,133
Total investment (loss) income for the period	520,698	(4,054,141)	(3,533,443)	249,924
Loss charged to restricted endowments (Note 10)	-	1,318,692	1,318,692	-
Transfer from deferred contributions (Note 7):				
- to cover endowed scholarships/projects	607,546		607,546	642,611
- to cover current year investment loss related to restricted endowments	117,957	507,100	625,057	151,209
	725,503	507,100	1,232,603	793,820
Total investment (loss) income recognized as revenue (expense)	$ 1,246,201	$ (2,228,349)	$ (982,148)	$ 1,043,744

Note 13 Changes in Non-cash Working Capital

	2003	2002 (As restated - Note 18)
Accounts receivable	$ 81,054	$ 33,500
Inventories	(640,148)	168,227
Prepaid expenses	137,306	(104,123)
Accounts payable and accrued liabilities	1,800,608	(385,203)
Accrued vacation pay	207,736	800,733
Unearned revenue	598,226	(394,265)
Deferred contributions	(4,366,838)	605,478
	$ (2,182,056)	$ 724,347

Note 14 Salary Disclosure

	2003			2002
	Salary (a)	Benefits and Allowances(b)	Total	Total
Chairman of the Board	$ 6,270	$ -	6,270	$ 6,348
Board Members	27,285	236	27,521	31,134
President	165,468	26,471	191,939	200,343
Executive/Vice Presidents				
Vice President Resources (Interim)	134,942	14,671	149,613	147,448
Vice President Academic	129,910	18,798	148,708	144,080
Vice President External Relations	98,500	1,424	99,924	0
Executive Dean	0	0	0	124,838
Dean, Academic Affairs	115,839	6,109	121,948	130,405
Executive Director, Human Resources	100,126	13,368	113,494	106,818
Executive Director, Student Services	100,210	3,238	103,448	111,248
Executive Director, Strategic Planning	97,314	15,460	112,774	99,556
Chief Financial Officer	115,629	21,817	137,446	0

(a) Includes regular base pay plus performance payments, lump sum payments, honoraria, sabbatical payments and any other direct cash remuneration.

(b) Includes employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental, out-of-country medical benefits, accidental disability and dismemberment insurance, long and short-term disability insurance, supplementary superannuating contributions, earned vacation leave and vehicle allowances.

(c) Disclosure in accordance with Treasury Board Directive #12-98.

The College contributed $2,258,919 (2002: $1,723,132) to the Local Authorities' Pension Plan on behalf of employees. This amount has been recognized as a benefit expense in the College accounts in the year the contributions were made.

Note 15 Related Party Transactions

The College is a Provincial Corporation as all of the members of the Board of Governors are appointed either by the Colleges Act or by a combination of orders by the Lieutenant Governor in Council and the Minister of Learning.

During 2003, the College provided courses to provincial government departments and participated in offering certain courses with other post-secondary institutions. The revenues and expenses incurred for these courses have been included in the consolidated statement of revenue and expense but have not been separately quantified. These transactions were entered into on the same business terms as with non-related parties and are recorded at these fair value amounts. Transactions with the Province of Alberta are disclosed in Note 11 to these financial statements.

At June 30, 2003 the College had unspent funds of $592,452 which were received from the Province of Alberta for capital and non-capital projects. These amounts are classified as deferred contributions and are required to be spent on capital and non-capital projects as agreed upon between the College and the Province.

At June 30, 2003 the accounts receivable balance included an amount of $156,015 owing from the Province of Alberta for projects completed.

Note 16 Budget

The Board of Governors approved the following budget relating to the College's operating revenue and expenses for the fiscal period ending June 30, 2003 on May 15, 2002:

Revenue	
Grants	$ 48,343,195
Tuition and related fees	33,928,984
Private Contracts	1,639,654
Sales, rentals and services	13,368,283
Amortization of deferred capital contributions	5,000,000
Investment earnings	7,951,396
Donations	3,204,675
	113,436,187
Expense	
Salaries and benefits	67,540,234
Supplies and services	22,009,130
Amortization of capital assets	8,066,548
Cost of goods sold	6,435,442
Utilities	2,883,126
Scholarships and bursaries	639,337
	107,573,817
	$ 5,862,370

Note 17 Commitments

The College is committed to several operating lease contracts. The minimum operating lease payments required for the next five years are as follows:

2004	$428,009
2005	394,539
2006	170,630
2007	52,081
2008	15,836
Total	$1,061,095

The Board of Governors of the College has approved capital projects to renovate and expand the MacEwan South and Center for the Arts campuses. The maximum expenditures approved are $7,000,000 for renovations and $3,000,000 for building expansion at MacEwan South. Renovations at Center for the Arts were approved for $985,000. At June 30, 2003, approximately $4,587,000 of expenditure was yet to be incurred on these projects.

Note 18 Prior period changes

June 30, 2002 donation revenue and supplies expense have been re-stated to recognize gifts-in-kind valued at $1,118,000 (net effect of zero on the statement of revenue and expense). Certain of the prior period amounts have been reclassified to conform to the current year's classification.

Effective July 1, 2002, the Minister of Learning approve the transfer of Alberta College – Edmonton's assets and programs to the College. The June 30, 2002 amounts of Grant MacEwan College were restated to consolidate Alberta College – Edmonton's results of operations, asset and liabilities as follows:

Cash	$	1,400,766
Accounts receivable		150,121
Inventories		58,222
Prepaid expenses		22,791
Accounts payable and accrued liabilities		(209,832)
Unearned revenue		(987,574)
Deferred contributions		(9,442)
Endowments		(144,292)
		(1,120,006)
Unrestricted net assets transferred	$	280,760
Capital assets		
Land	$	2,285,000
Building		1,626,661
Furniture and equipment		326,773
Computers and telecommunications equipments		266,830
Unamortized deferred capital contributions		(723,033)
Investment in capital assets	$	3,782,231
Revenue		
Grants	$	3,301,183
Tuition and related fees		5,992,197
Sales, rentals and services		743,077
Amortization of deferred capital contributions		307,321
Investment earnings		71,478
Donations		53,406
		10,468,662
Expense		
Salaries and benefits		6,518,711
Supplies and services		1,274,070
Amortization of capital assets		548,897
Cost of goods sold		206,807
Utilities		1,011,435
Scholarships and bursaries		26,462
		9,586,382
Excess of revenue over expense	$	882,280

Note 19 Approval of Financial Statements

These financial statements were approved by the Board of Governors on October 28, 2003.

KEYANO COLLEGE

FINANCIAL STATEMENTS

JUNE 30, 2003

Auditor's Report

Statement of Financial Position

Statement of Revenue and Expense

Statement of Changes in Net Assets

Statement of Cash Flows

Notes to the Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Governors of
Keyano College

I have audited the statement of financial position of Keyano College as at June 30, 2003 and the statements of revenue and expense, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
August 29, 2003

KEYANO COLLEGE
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2003

ASSETS		2003		2002
Current:				
Cash	$	523,717	$	1,664,296
Short-term investments (Note 3)		-		1,224,475
Accounts receivable		1,159,702		1,511,735
Inventories (Note 4)		184,775		187,553
Prepaid expenses		126,280		109,536
		1,994,474		4,697,595
Long-term investments (Note 3)		7,620,721		14,472,677
Long-term accounts receivable (Note 5)		80,620		-
Capital assets (Note 6)		63,217,232		56,892,314
	$	72,913,047	$	76,062,586
LIABILITIES AND NET ASSETS				
Current:				
Accounts payable and accrued liabilities	$	1,834,740	$	2,954,756
Accrued vacation pay		1,706,636		1,539,653
Unearned revenue (Note 7)		471,840		503,939
Long-term debt due within one year (Note 10)		179,754		150,183
Deferred contributions (Note 8)		1,992,801		4,068,955
		6,185,771		9,217,486
Long-term:				
Deferred contributions for capital purposes (Note 9)		-		4,111,471
Long-term debt (Note 10)		5,450,747		5,357,907
Unamortized deferred capital contributions (Note 12)		33,750,368		29,393,459
		39,201,115		38,862,837
Net assets:				
Endowments (Note 13)		1,191,565		1,118,798
Investment in capital assets (Note 15)		23,836,363		21,990,765
Unrestricted net assets		2,498,233		4,872,700
		27,526,161		27,982,263
	$	72,913,047	$	76,062,586

The accompanying notes are part of these financial statements.

KEYANO COLLEGE
STATEMENT OF REVENUE AND EXPENSE
FOR THE YEAR ENDED JUNE 30, 2003

	2003	2002
Revenue:		
Grants (Note 21)	$ 20,432,767	$ 20,021,176
Sales, rentals and services	4,925,163	4,645,219
Tuition	4,712,587	3,847,345
Education contracts	794,626	970,196
Investment income (Note 3)	224,575	545,296
Donations	697,689	605,491
Amortization of deferred capital contributions (Note 12)	1,930,990	1,800,937
	33,718,397	32,435,660
Expense (Note 16):		
Salaries and benefits	21,553,765	19,486,819
Supplies and services	6,219,131	5,511,836
Scholarships and awards	326,881	287,113
Utilities	1,745,201	1,442,457
Cost of goods sold	557,302	563,400
Amortization	3,279,740	2,788,116
Interest expense: long term debt	375,177	372,000
Loss on disposal of capital assets	34,559	130,717
Transfer to Keyano Foundation	155,510	136,000
	34,247,266	30,718,458
Excess (deficiency) of revenue over expense	$ (528,869)	$ 1,717,202

KEYANO COLLEGE
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2003

	2003				2002
	Endowments (Note 13)	Investment in Capital Assets (Note 15)	Unrestricted Net Assets	Total	Total
Beginning of year	$ 1,118,798	$ 21,990,765	$ 4,872,700	$ 27,982,263	$ 26,193,790
Excess of revenue over expense	-	-	(528,869)	(528,869)	1,717,202
Endowments received	72,767	-	-	72,767	71,271
Capital assets acquired from internal funds	-	3,147,687	(3,147,687)	-	-
Amortization of internally funded capital assets	-	(1,348,750)	1,348,750	-	-
Net book value of disposals	-	(160,159)	160,159	-	-
Principal repayment of long-term debt	-	155,960	(155,960)	-	-
Repayment of capital lease obligations	-	50,860	(50,860)	-	-
	$ 1,191,565	$ 23,836,363	$ 2,498,233	$ 27,526,161	$ 27,982,263

KEYANO COLLEGE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2003

	2003	2002
Cash provided from operating activities:		
Excess of revenue over expense	$ (528,869)	$ 1,717,202
Non-cash transactions:		
Amortization of capital assets	3,279,740	2,788,116
Amortization of deferred capital contributions	(1,930,990)	(1,800,937)
Loss on disposal of capital assets	34,559	130,717
	854,440	2,835,098
Changes in non-cash working capital (Note 19)	(1,579,362)	3,766,825
Cash generated from (used in) operating activities	(724,922)	6,601,923
Cash provided from (used in) investing activities:		
Purchase of capital assets:		
Internally funded	(3,147,687)	(2,174,680)
Externally funded through contributions and debt	(6,617,131)	(5,365,245)
Proceeds on disposals of capital assets	125,599	114,631
Purchase of long term investments - net	6,851,956	(1,628,871)
Cash used in investing activities	(2,787,263)	(9,054,165)
Cash provided from financing activities:		
Capital contributions received	2,176,428	1,677,652
Endowment contributions	72,767	71,271
Long-term debt (net)	122,411	(136,479)
Cash generated from financing activities	2,371,606	1,612,444
Decrease in cash	(1,140,579)	(839,798)
Cash at beginning of year	1,664,296	2,504,094
Cash at end of year	$ 523,717	$ 1,664,296

Note 1 Authority and Purpose

Keyano College operates under the authority of the Colleges Act, RSA 2000, Chapter C-19. The College is a comprehensive community college serving primarily the north-eastern region of Alberta. The College is exempt from payment of income tax under Section 149 of the Income Tax Act.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

(a) General

The financial statements of the College have been prepared in accordance with Canadian generally accepted accounting principles. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates, which may vary from actual results.

(b) Revenue Recognition

Operating grants are recognized as revenue in the period when receivable. Operating grants received for a future period are deferred until that future period and are reflected as deferred contributions.

Amounts received for tuition fees and sales of goods and services are recognized as revenue at the time the goods are delivered or the services are provided.

Externally restricted non-capital contributions are deferred and recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for purposes designated by the contributors. Any externally restricted contributions containing stipulations that the amounts should be retained as net assets or that the contributions should not be expended are recorded as direct increases in net assets. Such stipulations would include contributions made for endowment purposes or to be used to acquire non-amortizable property. Investment income earned on external endowments is recorded as a direct increase in net assets where the donor has stipulated that the economic value of endowments must be protected.

Externally restricted capital contributions are recorded as deferred contributions until the amount is invested to acquire capital assets. Amounts invested representing externally funded capital assets are then transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(b) Revenue Recognition (continued)

Contributions of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

(c) Inventories

Inventories held for resale are valued at the lower of cost and net realizable value. Inventories held for consumption are valued at the lower of cost and replacement value.

(d) Investments

Long-term investments are recorded at cost. Gains or losses on long-term investments are recognized at liquidation or when the impairment in the value of an investment is other than temporary.

(e) Capital Assets

Capital assets acquisitions are recorded at cost except for donated assets which are recorded at fair market value at the time of receipt. Capital assets are amortized on a straight-line basis over the following estimated average useful lives:

	Years
Land improvements	40
Buildings and renovations	40
Furnishings and equipment	10-25
Automotive and heavy equipment	5-25
Library materials	10
Audio-visual equipment	10
Computer hardware and software	5-10

(f) Employee Future Benefits

The College participates in the Local Authorities Pension Plan. This pension plan is a multi-employer defined benefit pension plan that provides pensions for the College's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the pension plan. The College's portion of the pension plan's deficit is not recorded by the College.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(g) Expenses

Instruction encompasses all formal educational and instructional program elements. Institutional support includes all activities that provide institution-wide support to other programs. Academic support includes all activities that directly support the educational and instructional elements such as academic administration, library and audio-visual services. Student services includes all activities or services to the student body of the institution including scholarships and bursaries.

(h) Translation of foreign currencies

Monetary assets are translated into Canadian dollars at the rate of exchange at Statement of Financial Position date. Non-monetary items are translated at historical exchange rates. Revenue and expense items are translated at the rate of exchange in effect on the dates they occur.

Note 3 Investments

	2003				2002
	Short- term Investments	Long-term Investments	Total Cost	Market Value	Total Cost
Money market investments	$ -	-	-	-	$ 6,202,574
Bonds	-	4,795,020	4,795,020	5,105,301	5,922,807
Equities	-	2,825,701	2,825,701	2,933,947	3,571,771
	$ -	7,620,721	7,620,721	8,039,248	$ 15,697,152

Restricted:	
For endowments	$ 1,191,565
Total restricted investments	$ 1,191,565

The Board of Governors has approved an investment strategy creating two portfolios for investments. The first portfolio encompasses operating funds designated for expenditures within one year. The primary objective of the short-term portfolio is liquidity with security of capital. Risk levels will be kept low and securities will be liquid.

The first portfolio is restricted as follows:

a) Quality constraint of "R1-Mid" or better for money market securities.
b) All Corporate and Provincial bonds will be rated "A" or higher.
c) No more than 10% of cash and equivalents will be invested in any one issuer, other than investments guaranteed by the Government of Canada or any province.
d) No more than 5% of the portfolio will be invested in any one corporate bond issue.

Note 3 Investments (continued)

The second portfolio is designated for long-term working capital and restricted funds. The objective of the long-term portfolio is preservation of capital and generation of a competitive total return.

The second portfolio is restricted as follows:

a) Quality constraint of "R1" or "A1" or higher for money market securities.
b) All Corporate and Provincial bonds will be rated "A" or higher.
c) No money market or fixed income single position, other than Government of Canada or Province of Alberta credits, at more than 10% of the portfolio.
d) The cash and equivalents category of the portfolio shall be a maximum of 15% of the portfolio.
e) The fixed income category of the portfolio shall be a minimum of 30% and a maximum of 70% of the portfolio.
f) The equity category of the portfolio shall be a minimum of 20% and a maximum of 50% of the portfolio.
g) No more than a maximum of 5% of the equity component, at market, will be invested in any one equity issue.

The effective yield for the portfolio on the bond investment is 4.34 %. The bond investments mature as follows:

	1-5 years	6-10 years	over 10 years	Total
Bonds	$ 2,271,555	$ 2,038,031	$ 485,434	$ 4,795,020

Investment Income	2003	2002
Interest earned on investments	$ 150,826	$ 351,417
Interest earned on operating funds	76,284	241,366
Total interest earned	227,110	592,783
Transferred to deferred contributions	(2,535)	(47,487)
	$ 224,575	$ 545,296

Note 4 Inventories

	2003	2002
Bookstore	$ 148,078	$ 149,872
Maintenance supplies	36,697	37,681
	$ 184,775	$ 187,553

Note 5 Long-term Accounts Receivable

The College entered into an agreement to allow corporations to rent certain student residences for a period of five years. The long-term account receivable is GST that is recoverable from the Federal Government once these residences revert to College student use.

Note 6 Capital Assets

Capital assets are summarized as follows:

	2003			2002
	Cost and Appraised Value	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 11,679,586	$ -	$ 11,679,586	$ 11,679,586
Land improvements	463,183	23,159	440,024	433,628
Buildings and renovations	72,440,158	30,672,367	41,767,791	37,192,945
Furnishings and equipment	8,288,398	3,791,964	4,496,434	3,196,631
Automotive and heavy equipment	6,359,826	3,646,382	2,713,444	2,468,408
Library materials	1,879,709	1,610,381	269,328	285,906
Audio-visual equipment	791,561	396,045	395,516	382,960
Computer hardware and software	3,745,897	2,290,788	1,455,109	1,252,250
	$ 105,648,318	$ 42,431,086	$ 63,217,232	$ 56,892,314

The Province of Alberta has been granted an option to purchase the whole or any part of the land, buildings and improvements transferred to the College in 1984, at value of $47,534,300, for the nominal amount of $1 per purchase.

Note 7 Unearned Revenue

	2003	2002
Tuition fees	$ 316,827	$ 292,847
Contract programs	155,013	211,092
	$ 471,840	$ 503,939

Note 8 Deferred Contributions

Deferred contributions represent unspent amounts externally restricted for non-capital purposes.

	2003	2002
Contributions:		
Grants	$ 2,134,470	$ 3,701,783
Donations	246,163	190,224
Investment income	2,535	47,487
	2,383,168	3,939,494
Transferred to revenue:		
Grants	(2,538,646)	(2,219,247)
Donations and investment income	(199,032)	(165,003)
	(2,737,678)	(2,384,250)
Transferred to deferred contributions for capital purposes (Note 9)	(1,648,877)	-
Transferred to endowments	(72,767)	(71,271)
Increase (decrease) during the year	(2,076,154)	1,483,973
Balance at beginning of year	4,068,955	2,584,982
Balance at end of year	$ 1,992,801	$ 4,068,955
The balance consists of funds restricted for:		
Scholarships and bursaries	$ 213,439	$ 236,540
New program start-up funds	332,180	1,626,266
	545,619	1,862,806
Deferred contributions for maintenance	1,447,182	2,206,149
	$ 1,992,801	$ 4,068,955

Note 9 Deferred Contributions for Capital Purposes

	2003	2002
Contributions:		
Grants (Note 8)	$ 1,648,877	$ -
Donations	527,551	1,677,652
	2,176,428	1,677,652
Transferred to unamortized deferred capital contributions (Note 12)	(6,287,899)	(2,566,181)
Decrease during the year	(4,111,471)	(888,529)
Balance, beginning of year	4,111,471	5,000,000
Balance, end of year	$ -	$ 4,111,471

Note 10 Long-term Debt

	2003	2002
Alberta Capital Finance Authority Debenture, interest at 6.5% per annum. Repayment is 25 consecutive annual installments of $450,898, principal and interest combined. Maturity June 15, 2026	$ 5,307,133	$ 5,406,602
Obligations under Capital Lease Interest at varying rates of 2.5% to 8.3%. Payments of $43,929 annually principal and interest combined. Maturity December 2003 to August 2006	323,368	101,488
	5,630,501	5,508,090
Current portion	179,754	150,183
	$ 5,450,747	$ 5,357,907

Repayment of principal in each of the next five fiscal years will be as follows:

2004	$ 179,754
2005	188,291
2006	197,783
2007	204,765
2008 to maturity	4,859,908
	$ 5,630,501

All acquired intangibles, accounts, monies, accounts receivables, instruments, claims or rights, choices in action and insurance proceeds derived directly or indirectly from the operations of the student residence have been pledged as security on the Alberta Capital Finance Authority debenture.

Note 11 Funds Held on Behalf of Others

The College has $50,669 (2002 - $51,316) in funds held in trust for other parties. These amounts are not included in these financial statements.

Note 12 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the external funding of capital assets which will be recognized as revenue in future periods.

	2003	2002
Balance at beginning of year	$ 29,393,459	$ 28,628,215
Add amount transferred from deferred capital contributions (Note 9)	6,287,899	2,566,181
Less amount amortized to revenue	(1,930,990)	(1,800,937)
Balance at end of year	$ 33,750,368	$ 29,393,459

Note 13 Endowments

Endowments are comprised of externally restricted amounts which are required to be maintained intact.

Note 14 Planned Expenditures

The Board of Governors has approved the following planned expenditures as future funds become available.

	2003	2002
Professional development		
Admin staff	$ 51,916	$ 56,131
Support staff	25,423	27,916
Faculty	60,181	59,000
Employee safety	4,941	4,941
Employee assistance program	12,110	12,360
Industry Education Centre	389,168	253,303
Research and development	21,023	21,023
Management information system	470,111	425,000
Aboriginal Entrepreneurship	58,631	59,099
Program development	271,650	175,456
Musical instruments	54,495	46,230
Trades program	101,374	119,884
Family welfare worker program	-	70,639
Innovative instruction	-	2,964
Native education training	20,140	20,140
Environmental worker diploma	-	20,842
Academic development	96,549	80,141
Community and upgrading education development	171,297	123,102
Student housing	261,602	166,210
Bookstore	162,858	129,144
Computer training	-	6,406
Parking	125,038	190,908
Theatre operating	71,364	41,054
Equipment replacement	545,991	904,552
Site and renovations	854,713	941,751
Food services centre equipment	27,669	31,922
Theatre capital	-	21,071
Capital Campaign Planning	614,893	726,760
Computer services	32,472	-
New construction	147,827	-
Recreation and athletic reserve	75,790	17,330
Shift worker initiative	142,784	133,344
	$ 4,872,010	$ 4,888,623

Note 15 Net Assets Invested in Capital Assets

	2003	2002
Capital assets	$ 63,217,232	$ 56,892,314
Less Debt	(5,630,501)	(5,508,090)
Unamortized deferred capital contributions	(33,750,368)	(29,393,459)
Balance at end of year	$ 23,836,363	$ 21,990,765

Note 16 Supplementary Expense Information

Expense is summarized by object as follows:

	2003	2002
Academic support	$ 2,770,916	$ 2,084,191
Amortization	3,279,740	2,788,116
Ancillary operations	2,824,681	2,356,263
Computing services	633,465	534,868
Institutional support	7,933,431	7,756,964
Instruction	14,285,245	12,618,855
Interest expenses	375,178	372,000
Loss on disposal	34,559	130,717
Student services	1,954,541	1,940,484
Transfer to Foundation	155,510	136,000
	$ 34,247,266	$ 30,718,458

Note 17 Ancillary Operations

The College's ancillary operations revenue included in sales, rentals and services and ancillary operations direct expense are summarized as follows:

	2003	2002
Revenue:		
Student residence	$ 1,758,063	$ 1,539,763
Food services facility rental contract	34,737	30,117
Bookstore	635,670	615,084
Theatre	538,180	421,840
Parking	145,112	141,763
	$ 3,111,762	$ 2,748,567
Expense:		
Student residence	$ 1,186,134	$ 919,927
Food services facility maintenance	2,433	1,971
Bookstore	595,516	583,101
Theatre	902,004	768,472
Parking	138,594	82,792
	$ 2,824,681	$ 2,356,263

Note 18 Salaries and Benefits

	2003			2002
	Salary (Note 1)	Benefits and Allowances (Note 2)	Total	Total (Restated Note 6)
Board Chairman	$ 4,510	$ 175	$ 4,685	$ 4,826
Board members - 9	25,091	676	25,767	28,328
President (Note 3)	161,968	31,368	193,336	168,722
Vice President - Instruction (Note 4)	106,203	20,742	126,945	117,196
Vice President - Finance and Administration	100,000	16,000	116,000	117,477
Executive Director of Student Services	90,256	10,980	101,236	87,449
Dean, Academic and Career Programs (Note 5)	85,382	10,506	95,888	97,833

Notes:

1) Salary includes regular base pay, merit awards, performance bonus, overtime, vacation payouts, honoraria, and any other direct cash remuneration.

2) Employer share of all employee benefits and contributions or payments made on behalf of employees including pension, automobile allowances, health care, dental, vision, group life insurance, accidental death and dismemberment insurance and long and short-term disability plans.

3) Three different individuals occupied the position for twelve months.

4) Two different individuals occupied the position for twelve months.

5) Two different individuals occupied the position for twelve months.

6) The comparative figures have been restated to include automobile allowances.

Note 19 Changes in Non-Cash Working Capital

	2003	2002
Accounts receivable	$ 271,413	$ (373,754)
Inventories	2,779	46,117
Prepaid expenses	(16,744)	5,359
Short-term investments	1,224,475	2,145,871
Accounts payable and accrued liabilities	(1,120,015)	394,196
Accrued vacation pay	166,983	15,988
Unearned revenue	(32,099)	49,075
Deferred contributions	(2,076,154)	1,483,973
	$ (1,579,362)	$ 3,766,825

Note 20 Commitments and Contractual Obligations

(a) Minimum annual operating lease commitments required under the terms of various office space leases are as follows:

2004	$ 123,841
2005	123,841
2006	90,505
Total	$ 338,188

Note 21 Related Party Transactions

(a) Related Party Transactions – Keyano College Foundation ("the Foundation")

The Keyano College Foundation is a registered charitable organization, and receives donations from various sources for the advancement of Keyano College.

The Foundation financial statements (which are prepared using the Restricted Fund method of revenue recognition) are not consolidated in the College's financial statements. The financial summaries of the unconsolidated entity as at June 30, 2003 and 2002 are as follows:

Financial Position	2003	2002
Total assets	$ 786,233	$ 1,262,905
Total liabilities	$ 36,451	$ 141,920
Net assets	$ 749,782	$ 1,120,985

Results of Operating Activities and change in Operating Net Assets	2003	2002
Revenue	$ 189,550	$ 156,736
Expense	(312,050)	(331,909)
Net operating deficit for the year	(122,500)	(175,173)
Operating fund net assets, beginning of year	-	-
Transfer from events and gaming	122,500	175,173
Operating fund net assets, end of year	$ -	$ -

Note 21 Related Party Transactions (continued)

(a) Related Party Transactions – Keyano College Foundation ("the Foundation") (continued)

	2003	2002
Results of Fund Raising Activities and surplus and change in Restricted Fund Net Assets		
Revenue	$ 1,169,975	$ 3,170,790
Expense	(261,764)	(144,351)
Net fundraising for the year	908,211	3,026,439
Contribution to Keyano College	(1,156,914)	(2,215,323)
Excess of revenue over expense	(248,703)	811,116
Restricted fund net assets beginning of year	1,120,985	485,042
Transfer to general operations	(122,500)	(175,173)
Restricted fund net assets end of year	$ 749,782	$ 1,120,985

The College contributed $155,510 (2002 - $136,000) toward salaries and other operating costs of the Foundation. In addition, the College provided certain administrative services and accommodations at no cost to the Foundation.

The Foundation does not hold investments and capital assets. At June 30, 2003, the Foundation had net assets of $749,782 available for transfer to the College.

(b) The College is a Provincial corporation as all the members of the Board of Governors are appointed either by the College Act or by a combination of orders by the Lieutenant Governor in Council and the Minister of Learning.

Note 21 Related Party Transactions (continued)

(c) Transactions between the College and Province and other related parties are disclosed in the Statement of Revenue and Expense and/or are recorded in the following balances as at June 30, 2003:

	Revenue	Deferred Contributions	Unamortized Deferred Capital Contributions
Operating grant	$ 18,509,176	$ 77,804	$
Infrastructure grant	227,052	1,447,182	469,723
Access grant	954,471		
Other grants	742,068	254,376	5,290,625
Total	$ 20,432,767	$ 1,779,362	$ 5,760,348

During the year, the College had business transactions with entities controlled by members of the Board. These transactions were at market prices on normal terms of purchase and sale.

Note 22 Budget

The College's Board of Governors approved the revenue and expense budgets on April 2002 as follows.

Revenue		
Grants	$	20,057,339
Sales, rentals and services		4,440,247
Tuition and fees		4,247,782
Educational contracts		688,277
Investment		141,500
Amortized deferred capital contributions		2,396,302
Donations		509,960
	$	32,481,407
Expenses		
Instruction	$	13,478,921
Institutional support		7,293,793
Academic support		1,943,387
Student services		1,672,717
Computing services		597,962
Ancillary operations		4,275,031
Amortization		2,763,290
		32,025,101
Excess of revenue over expenses	$	456,306

The approved budget does not contain amounts for losses or gains on disposal of assets, scholarships and bursaries.

Note 23 Pension Costs

The pension expense recorded in these financial statements is equivalent to the College's annual contributions payable of $900,425 for the year ended June 30, 2003 (2002 - $776,284). At December 31, 2002, the Local Authorities Pension Plan reported a deficit of $444,980,000 (2001 - surplus of $634,960,000).

Note 24 Comparative figures

Certain of the 2002 comparative figures have been reclassified, where necessary, to conform to the current year's statement presentation.

Note 25 Approval of Financial Statements

The Board of Governors approved these financial statements.

Lakeland College

Consolidated Financial Statements

June 30, 2003

Auditor's Report

Statement of Financial Position

Statement of Operations

Statement of Changes in Net Assets

Statement of Cash Flows

Notes to the Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Governors of Lakeland College

I have audited the consolidated statement of financial position of Lakeland College (the "College") as at June 30, 2003 and the consolidated statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
September 5, 2003

LAKELAND COLLEGE

STATEMENT OF FINANCIAL POSITION - CONSOLIDATED

AS AT JUNE 30, 2003

	2003	2002
ASSETS		
Cash and short-term investments (Note 5)	$ 2,245,064	$ 2,191,041
Accounts receivable & Prepaids	2,222,848	1,860,571
Inventories (Note 3)	937,730	876,269
Current portion of loans receivable (Note 4)	8,676	18,873
	5,414,318	4,946,754
Loans receivable (Note 4)	4,936	3,202
Investments (Note 5)	5,708,927	7,636,292
Patronage dividends receivable	8,192	8,192
Capital assets (Note 6)	62,472,298	65,999,974
	$ 73,608,671	$ 78,594,414
LIABILITIES AND NET ASSETS		
Accrued vacation pay	$ 1,673,891	$ 1,490,657
Accounts payable and accrued liabilities	2,170,220	2,106,814
Unearned revenue (Note 7)	1,275,072	1,629,517
Deferred contributions (Note 8)	1,308,067	2,085,924
Current Portion of long-term Debt (Note 11)	495,593	534,183
	6,922,843	7,847,095
Deferred capital contributions (Note 9) (Note 24)	451,162	375,973
Unamortized deferred capital contributions (Note 10) (Note 24)	46,786,810	49,243,487
Long-term Debt (Note 11)	3,664,641	4,068,216
	57,825,456	61,534,771
Net assets:		
Unrestricted	88,529	28,235
Internally restricted (Note 12)	1,607,492	2,306,369
Invested in capital assets	12,746,305	13,410,298
	14,442,326	15,744,902
Endowments (Note 13)	1,340,889	1,314,741
	15,783,215	17,059,643
	$ 73,608,671	$ 78,594,414

The accompanying notes are part of these consolidated financial statements.

LAKELAND COLLEGE

STATEMENT OF OPERATIONS - CONSOLIDATED

FOR THE YEAR ENDED JUNE 30, 2003

	2003		2002
	Budget (Note 19)	Actual	Actual
Revenue:			
Grants (Note 14)	$ 20,781,962	$ 21,104,226	$ 20,166,263
Tuition and related fees	11,424,860	9,741,791	8,463,561
Sales, rentals and services (Note 15)	4,155,674	4,118,374	3,907,325
Amortization of deferred capital contributions (Note 10)	2,904,580	2,579,355	2,608,519
Educational contracts	20,615	437,738	677,821
Investment Income (Loss) (Note 16)	415,000	785,768	(2,042,375)
Donations	440,370	199,158	206,385
Other	1,683,670	1,356,956	773,821
Gain on Sale of Assets	-	53,686	-
	41,826,731	40,377,052	34,761,320
Expense (Note 17):			
Salaries and benefits (Note 18)	22,449,156	23,346,677	22,765,465
Supplies and services	12,143,885	11,164,931	10,192,659
Amortization of capital assets	4,368,000	4,723,845	4,503,690
Utilities	1,662,648	1,952,167	1,741,379
Investment costs	56,178	312,794	399,846
Loss on writedown of capital assets	-	-	596,548
Scholarships and bursaries	200,000	179,214	131,308
	40,879,867	41,679,628	40,330,895
Excess of revenue over expense	$ 946,864	$ (1,302,576)	$ (5,569,575)

The accompanying notes are part of these consolidated financial statements.

LAKELAND COLLEGE

STATEMENT OF CHANGES IN NET ASSETS - CONSOLIDATED

FOR THE YEAR ENDED JUNE 30, 2003

	2003					2002
	Unrestricted	Internally Restricted (Note 12)	Invested in Capital Assets	Endowments	Total	Total
Excess of expense over revenue	$ (1,302,576)	-	-	-	$ (1,302,576)	$ (5,569,575)
Endowment contributions	-	-	-	26,148	26,148	17,150
Transfers:						
Amortization of internally funded capital assets	2,144,489	-	(2,144,489)	-	-	-
Acquisition of internally funded capital assets	(1,127,388)	-	1,127,388	-	-	-
Repayment of Loans	(443,559)	-	443,559	-	-	-
From internally restricted	698,877	(698,877)	-	-	-	-
Net book value of capital asset disposals	90,451	-	(90,451)	-	-	-
Increase in assets	60,294	(698,877)	(663,993)	26,148	(1,276,428)	(5,552,425)
Net assets beginning of year	28,235	2,306,369	13,410,298	1,314,741	17,059,643	22,612,068
Net assets end of year	$ 88,529	$ 1,607,492	$ 12,746,305	$ 1,340,889	$ 15,783,215	$ 17,059,643

The accompanying notes are part of these consolidated financial statements.

LAKELAND COLLEGE

STATEMENT OF CASH FLOWS - CONSOLIDATED

FOR THE YEAR ENDED JUNE 30, 2003

	2003	2002
OPERATING ACTIVITIES		
Excess (deficiency) of expense over revenue	$ (1,302,576)	$ (5,569,575)
Non-cash transactions		
Amortization of capital assets	4,723,845	4,503,690
Amortization of deferred capital contributions (Note 10)	(2,579,355)	(2,608,519)
Loss on writedown of capital assets	-	596,548
Gain on disposal of capital assets	(53,686)	-
Decrease in patronage dividends receivable	-	6,593
	788,228	(3,071,263)
Net change in non-cash working capital	(1,309,401)	2,134,968
Cash used in operating activities	(521,173)	(936,295)
INVESTING ACTIVITIES		
Acquisition of capital assets		
Internally funded	(1,127,388)	(7,060,231)
Externally funded	(122,678)	(1,054,089)
Loans collected from employees	18,754	19,023
Loans advanced to employees	(10,111)	(2,380)
Net decrease in investments	1,927,365	4,768,641
Proceeds from disposal of capital assets	107,404	58,945
Cash used in investing activities	793,346	(3,270,091)
FINANCING ACTIVITIES		
Endowment contributions	26,148	17,150
Proceeds from computer loan program	1,393	1,454
Long-term debt proceeds	-	3,821,551
Repayment of long-term debt	(443,558)	(133,727)
Capital contributions received (Note 9)	197,867	1,022,526
Cash generated through financing activities	(218,150)	4,728,954
INCREASE IN CASH AND INVESTMENTS	54,023	522,568
CASH AND INVESTMENTS AT BEGINNING OF THE YEAR	2,191,041	1,668,473
CASH AND INVESTMENTS AT END OF THE YEAR	$ 2,245,064	$ 2,191,041

The accompanying notes are part of these consolidated financial statements.

LAKELAND COLLEGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2003

Note 1 **Authority and Purpose**

Lakeland College (the "College") operates under the authority of the Colleges Act, RSA 2000 c. Chapter C-19. The College, as an inter-provincial institution, provides educational services responsive to the needs of students in relation to the workplace, community and society. The College is exempt from the payment of income taxes under section 149 of the Income Tax Act and is a registered charity.

Note 2 **Summary of Significant Accounting Policies and Reporting Practices**

(a) Basis of Presentation

The Consolidated Financial Statements includes the results of the fire etc. which was incorporated in the Province of Alberta under the Part IX of the Companies Act on July 17, 2002 as a not-for-profit organization. The school is exempt from taxes under the Income Tax Act. Fire etc. continues the operations of its predecessor corporation the Alberta Fire Training School Inc. The 2002 figures in the June 30, 2002 financial statements of the predecessor corporation have been recorded as the comparative figures in these financial statements.

(b) Revenue Recognition

Operating grants are recognized in the period when receivable. Operating grants received for a future period are deferred until that future period and are reported as deferred contributions.

Amounts received for tuition fees and the sale of goods and services are recognized as revenue at the time the goods are delivered or the services are provided.

Capital grants and capital donations are recorded as deferred capital contributions until the amounts are invested in capital assets. Amounts invested representing funded capital assets are transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as revenue in the periods in which the related amortization expense for the funded capital assets is recorded.

Unrestricted cash donations are recognized as revenue when they are received. Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

Externally restricted non-capital contributions are deferred and are recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for purposes designated by the contributors. Any externally restricted contributions containing stipulations that the amounts should be permanently maintained, are recorded as a direct increase to net assets. Such stipulations would include contributions made for endowment purposes or to be used to acquire non-amortizable property.

Note 2 **Summary of Significant Accounting Policies and Reporting Practices (continued)**

c) Capital Assets

Purchased capital assets are recorded at cost. Donated assets are recorded at their fair value when donated. Capital assets are amortized on a straight-line basis over the following estimated average useful lives:

Buildings and site improvements	40, 10 and 5 years
Facility license - buildings	3 - 37 years
Leasehold improvements	30 - 32 years
Furniture, equipment and library	10 years
Vehicles, computers and telecommunication equipment	5 years

(d) Inventories

Livestock inventory is recorded at net realizable value. All other inventories are valued at the lower of cost and net realizable value.

(e) Employee Future Benefits

The College participates in the Province of Alberta's Local Authority and the Management Employees Pension Plans. These pension plans are multi-employer defined benefit plans that provide pensions for the College's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the Local Authority and the Management Employees Pension Plans. The College's portion of the pension plans' deficit or surplus is not recorded by the College.

(f) Financial Instruments

The carrying value of cash, receivables and payables, and accruals approximate fair value due to the relatively short periods to maturity of the instruments.

The carrying value of the long-term debt approximates its market value.

The loans in the amount of $44,685 bear interest, which fluctuates with the Bank of Canada prime rate, thus exposing the organization to interest rate fluctuations.

Note 3 **Inventories**

Inventories consist of:

	2003	2002
Livestock	$ 351,105	$ 386,865
Bookstore	370,342	331,929
Firefighting Agents	69,973	67,115
Fuels	42,475	35,555
Course Guides	36,453	-
Farm	50,247	33,264
Clothes	4,848	13,817
Quip Shop	2,927	3,899
Consumables	9,360	3,825
	$ 937,730	$ 876,269

Note 4 Loans Receivable

	2003	2002
Employee loans receivable	$ 13,612	$ 22,075
Less: current portion	(8,676)	(18,873)
	$ 4,936	$ 3,202

The loans are receivable from employees in bi-weekly installments of $675 in 2003 ($769 in 2002) including interest at a rate of 8.5% per annum. The advances were made under the provisions of an employee computer purchase program with installments made through payroll deductions.

Aggregate annual maturities of long-term loans receivable are as follows:

2003-04	$ 8,676
2004-05	3,681
2005-06	1,255
	$ 13,612

Note 5 Cash and Investments

	2003		2002	
	Cost	Market	Cost	Market
Bank overdraft	$ (1,353,806)	$ (1,353,806)	$ (436,596)	$ (436,596)
Consolidated Cash Investment Fund(CCITF)	-	-	667,841	667,841
Money Market Investments	918,013	918,013	889,835	889,835
Bonds	5,132,310	5,447,078	6,319,238	6,606,435
Equities	3,158,567	3,388,665	4,819,926	3,190,299
Provision for impairment	-	-	(2,481,190)	-
Cash Held By Investment Manager	98,907	98,907	48,279	48,279
	7,953,991	$ 8,498,857	9,827,333	$ 10,966,093
Less: Long-term Amounts	(5,708,927)		(7,636,292)	
	$ 2,245,064		$ 2,191,041	

The College's investment strategy is to meet expenditure requirements within one year, investing such funds in liquid investments. Short term investment guidelines are as follows:

a) Assure necessary cash flow.
b) Maximize rate of return.
c) Minimize risk of permanent capital impairment.
d) Preserve capital in nominal and real terms over the long term.
e) Generate a return which is competitive.

a) No more than 10% of total portfolio can be invested in any one Money market issue except those guaranteed by Government of Canada or the Province of Alberta.
b) No more than 10% of total portfolio can be invested in any one government bond issue except those issued by Government of Canada or the Province of Alberta.
c) No more than 5% of total portfolio in any one corporate bond issue.
d) No more than 5% of equity component to be invested in any one equity issue.
e) Quality constraint on Money market securities of at least a rating of R1 or A1 by the Canadian Bond Rating Service or Dominion Bond Rating Service.
f) Quality constraint on all Corporate and Provincial Bonds of at least a rating of A low by a recognized bond rating service.

Note 5 Cash and Investments (continued)

The rate of return on the investments for this fiscal year is 5.26% (in 2002, 4.61%).
Money Market Investments have an average effective yield of 6.09% with a term to maturity of less than one year.
Pooled Bond Funds have an average effective yield of 7.19% and weighted average term to maturity of more than one year.
Bond Funds have an average effective yield of 5.91% and term s to maturity ranging from under one year to more than 10 years.

Certain College investments are pledged as collateral against indebtedness amounting to $1,000,000.

Note 6 Capital Assets

Capital assets consist of:

	2003			2002
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 1,515,348	$ -	$ 1,515,348	$ 1,515,348
Buildings	71,393,727	32,700,923	38,692,804	40,593,765
Site Improvements	17,109,923	8,198,342	8,911,581	9,317,334
Furniture & Equipment	8,574,943	5,557,122	3,017,821	2,913,791
Computers & Telecommunications Equipment	7,386,216	3,749,613	3,636,603	4,351,414
Facility Licence				
Buildings	5,254,016	955,215	4,298,801	4,461,738
Land	97,091	-	97,091	97,091
Vehicles	1,363,817	984,566	379,251	699,003
Leasehold Improvements	989,908	93,915	895,993	897,195
Milk Quotas	215,546	-	215,546	215,546
Library	3,255,078	2,443,619	811,459	937,749
	$ 117,155,613	$ 54,683,315	$ 62,472,298	$ 65,999,974

The Province of Alberta has been granted an option to purchase for $1 the whole or any part of the land, buildings and site improvements that it transferred to the College in 1982.

Note 7 Unearned Revenue

Unearned revenue consists of:

	2003	2002
Tuition and Residence fees	$ 330,579	$ 472,941
Contract Advances	901,327	1,120,077
Extension and Community education course fees	34,222	35,789
Projects & Programs	8,944	710
	$ 1,275,072	$ 1,629,517

Note 8 Deferred Contributions

Changes in deferred contributions are as follows:

	2003	2002
Restricted donations & contributions received during the year:		
Conditional grants	$ 891,969	$ 3,069,423
Transfer from deferred capital contributions (Note 9)	2,725	18,324
Scholarships	121,812	74,734
Interest on endowments (Note 16)	32,036	46,590
	1,048,542	3,209,071
Transferred to revenue:		
Conditional grants (Note 14)	(1,647,185)	(2,161,259)
Scholarships and bursaries	(179,214)	(131,308)
	(1,826,399)	(2,292,567)
Increase (decrease) during the year	(777,857)	916,504
Balance at beginning of the year	2,085,924	1,169,420
Balance at end of the year	$ 1,308,067	$ 2,085,924
The balance consists of funds restricted for:		
Conditional programs	$ 1,055,928	1,808,419
Scholarships and bursaries	213,633	171,105
College development	38,506	106,400
	$ 1,308,067	$ 2,085,924

Note 9 Deferred Capital Contributions

Changes in deferred capital contributions are as follows:

	2003	2002
Contributions received during the year	$ 200,592	$ 1,040,850
Transferred (to) deferred contributions (Note 8)	(2,725)	(18,324)
Total contributions received in year	197,867	1,022,526
Transferred to unamortized deferred contributions (Note 10)	(122,678)	(1,054,089)
Balance at beginning of the year	375,973	407,536
Balance at end of the year	$ 451,162	$ 375,973

Note 10 Unamortized Deferred Capital Contributions

	2003	2002
Transferred to Revenue	$ (2,579,355)	$ (2,608,519)
Transferred from deferred capital contributions (Note 9)	122,678	1,054,089
	(2,456,677)	(1,554,430)
Balance at the beginning of the year	49,243,487	50,797,917
Balance at the end of the year	$ 46,786,810	$ 49,243,487

Note 11 Long-Term Debt

	2003	2002
(a) Alberta Capital Financing Authority	$ 2,880,000	$ 3,000,000
(b) Bank Loans	592,272	690,924
(c) Finance Contracts	38,188	59,424
(d) Conditional Sales Contracts	19,736	30,500
(e) PeopleSoft	630,038	821,551
	4,160,234	4,602,399
Less: current portion	(495,593)	(534,183)
	$ 3,664,641	$ 4,068,216

(a) The ACFA loan is a 25 year debenture secured by residences with value of $2,150,920 and investments of $1,000,000. The debenture incurs interest at 6.5% per annum.

(b) The bank loans include the following:

One bank loan is payable to the Canadian Imperial Bank of Commerce in monthly installments of $9,171 including interest at a rate of 2.95%. The loan is secured with a general security agreement and a $800,000 term deposit owned by Lakeland College. The loan matures in 2010.

One bank loan is payable to the Bank of Nova Scotia in monthly installments of $586 including interest at a rate of 9.4%. The loan is secured by a lien on a service vehicle with a net book value of $13,010 and matures in 2005.

One bank loan, for employee computer purchases, is payable to the Canadian Imperial Bank of Commerce, and will be repaid in installments equal to bi-weekly payroll deductions of $675 including interest at a rate equal to the bank's prime rate plus 1%. The loan matures in 2003.

Although the Canadian Imperial Bank of Commerce loans are demand in nature, the bank has agreed to waive the demand provisions until July 1, 2004, and therefore these loans have been classified as long term in nature.

(c) The finance contracts are payable to the General Motors Acceptance Corporation in combined monthly installments of $1,849 including interest at a rate of 1.9%. The contracts are secured by liens on service vehicles with a net book value of $46,855 and mature in 2005.

(d) The bank loan, payable to the Canadian Imperial Bank of Commerce is payable in monthly installments of $897 plus interest at a rate equal to the bank's prime rate plus 0.75%. The contract is secured by a general security agreement and a lien on a service vehicle with a net book value of $24,146. The loan matures in 2005.

(e) The PeopleSoft loan is repayable at $18,500 per month for 5 years.

Aggregate annual payments of long-term debt are as follows:

2003-04	495,593
2004-05	473,455
2005-06	443,921
2006-07	445,675
2007-08 and subsequent	2,301,590
	$ 4,160,234

Note 12 Net Assets Internally Restricted by the Board

Net assets internally restricted by the Board represent amounts set aside by the College's Board of Governors to be used for the following designated purposes. These amounts are not available for other purposes without the approval of the Board.

	2003	2002
Major maintenance and equipment	$ -	$ 481,091
Delivery initiatives	595,016	812,802
Long term delivery initiatives	1,012,476	1,012,476
	$ 1,607,492	$ 2,306,369

Note 13 Endowments

External endowments consist of funds restricted for:

	2003	2002
College development	$ 420,089	$ 420,089
Scholarships and bursaries	920,800	894,652
	$ 1,340,889	$ 1,314,741

Funds are required to be maintained in perpetuity.

Note 14 Grants

Grant revenue consists of:

	2003 Budget	2003 Actual	2002 Actual
Alberta Learning			
General Operating	$ 15,977,676	$ 16,538,198	$ 15,275,586
Conditional (Note 8)	1,745,756	1,647,185	2,161,259
fire etc.	2,025,000	2,025,000	2,025,000
Other Government Grants	26,400	108,926	-
Province of Saskatchewan			
General Operating	1,007,130	784,917	704,418
	$ 20,781,962	$ 21,104,226	$ 20,166,263

Note 15 Sales, Rentals and Services

Revenue and direct expense for sales, rentals and services consists of:

	2003 Budget	2003 Actual	2002 Actual
Revenue:			
Residences	$ 2,077,476	$ 1,993,525	$ 1,838,929
Bookstores	871,200	895,279	892,686
Cafeterias	560,000	694,793	573,644
Conference Services	162,200	189,734	141,755
Printing	80,000	2,576	131,071
Swimming Pools	240,294	195,358	172,256
Other	164,504	147,109	156,984
	4,155,674	4,118,374	3,907,325
Direct Expenses:			
Residences	1,610,291	1,775,287	1,502,302
Bookstores	818,334	899,732	855,744
Cafeterias	557,874	673,656	571,126
Conference Services	159,683	171,611	121,531
Printing	21,654	1,619	24,327
Swimming Pools	263,695	311,392	254,782
Other	184,124	73,967	196,789
	3,615,655	3,907,264	3,526,601
Excess of Revenue over Direct Expenses	$ 540,019	$ 211,110	$ 380,724

Note 16 Investment Revenue

	2003	2002
Investment Income	$ 369,242	$ 485,405
Gain on Sale (Write Down) of Investments	448,562	(2,481,190)
Less: amount transferred to deferred contributions (Note 8)	(32,036)	(46,590)
	$ 785,768	$ (2,042,375)

Note 17 Operating Expense

Operating expense is summarized as follows:

	2003		2002
	Budget	Actual	Actual
Instruction	$ 17,548,153	$ 15,512,713	$ 14,354,146
Amortization of capital assets	4,368,000	4,723,845	4,503,690
Loss on disposal of capital assets	-	-	596,548
Cost of sales, rental & services (Note 15)	3,615,655	3,907,264	3,526,601
Facility operations and maintenance	3,174,003	3,786,381	3,748,950
Academic support	3,674,497	4,825,190	4,009,822
Institutional support	4,783,520	4,853,431	5,789,230
Student services	2,315,438	2,640,093	2,350,660
Computing services	1,400,601	1,430,711	1,451,248
	$ 40,879,867	$ 41,679,628	$ 40,330,895

Instruction encompasses all formal education and instructional program elements. Academic support includes all activities that directly support the educational and instructional elements such as academic administration, library and audio-visual services. Institutional support includes all activities that provide institution-wide support to other programs such as the President's office, human resources and financial services. Student Services includes all activities and services for the student body.

Note 18 Salaries and Benefits

The following information is prepared in accordance with Treasury Board Directive No. 12/98 and only includes salary and benefit information for the Board and Executive Management:

	2003				2002	
	Number of Individuals	Salaries (a)	Benefits & Allowances (b)	Total	Number of Individuals	Total
Chairman of Board	1	$ 15,576	$ 563	$ 16,139	1	$ 7,116
Other Board	17	59,617	963	60,580	17	61,228
		75,193	1,526	76,719		68,344
President	1	140,000	19,642	159,642	1	156,953
Chief Executive Officer, fire etc.	1	106,731	18,040	124,771	1	111,356
VP Academics		112,000	13,040	125,040	1	117,744
VP Finance and Operations	1	101,955	12,782	114,737	1	111,137
VP Finance and Corporate Services	1	28,541	2,892	31,433		
Executive Director Strategic Initiatives		-	-	-	0.8	84,531
Executive Director Strathcona	1	93,001	12,979	105,980	0.3	24,685
VP College Dev				-	0.5	77,083
		582,228	79,375	661,603		683,489
Total Salaries & Benefits		$ 657,421	$ 80,901	$ 738,322		$ 751,833

Note 18 Salaries and Benefits (continued)

(a) Salaries include regular pay, bonuses, overtime, lump sum payments and honoraria, but does not include any severance payments provided.

(b) Benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension plans, unemployment insurance, health care, dental coverage, group life insurance, accidental disability and dismemberment insurance, and long and short-term disability plans.

Note 19 Budget

The operating budget was approved by the Board of Governors on April 17, 2002 and the capital budget was approved on April 17, 2002. The operating budget does not include revenues and expenses for ad hoc programs negotiated subsequent to budget approval.

The approved capital budget provided $3,118,000 (actual $1,250,066) for acquisitions of capital assets.

Note 20 Lease Commitments

The College has the following operating lease commitments requiring future minimum annual rental payments for years ending June 30 as follows:

2003-04	$	161,421
2004-05		135,522
2005-06		102,312
2006-07		48,964
2007-08		20,723
	$	468,942

Note 21 Related Party Transactions

Province of Alberta

The College is a Provincial Corporation as all the members of the Board of Governors are appointed by a combination of orders by the Lieutenant Governor in Council and the Minister of Alberta Learning. Transactions between the College and the Province are disclosed in Note 14 to these financial statements. In addition, the conditional grants deferred contribution balance includes $ 1,067,609 (2002 - $1,986,307) of conditional grants provided by the Province.

Note 22 Pension Liability and Expense

The College participates in the multi-employer pension plans, Management Employees Pension Plan and the Local Authorities Pension Plan. The expense for these pension plans is equivalent to the annual contributions of $854,121, for the year ended June 30, 2003 (2002 - $771,738).

At December 31, 2002, the Management Employees Pension Plan reported a deficiency of $301,968,000 (surplus in 2001 - $5,338,000)and the Local Authority Pension Plan reported a deficiency of $444,980,000 (surplus in 2001 - $634,960,000).

Note 23 Amount in Dispute

An assessment by Canada Customs and Revenue Agency (CCRA) for Goods and Services tax has resulted in $205,996 being recorded in accounts payable and accrued liabilities. Fire etc. is disputing the assessment. It is the view of management that this amount will be recovered through the appeal process.

Note 24 **Restatement**

Prior year balances have been restated to reflect the change in classification of monies from Deferred Capital Contributions to Unamortized Deferred Contributions.

	2002		
	As Previously Stated	Adjustment	As Restated
Unamortized Deferred Capital Contributions	$ 49,150,216	$ 93,271	$ 49,243,487
Deferred Capital Contributions	469,244	(93,271)	375,973
	$ 49,619,460	$ -	$ 49,619,460

Note 25 **Comparative Figures**

The 2003 figures have been reclassified where necessary to conform to 2002 presentation.

Note 26 **Approval of Financial Statements**

These financial statements were approved by the Board of Governors.

fire etc.

Financial Statements

For year ended June 30, 2003

Auditor's Report

Financial Statements:

- Statement of Financial Position
- Statement of Operations
- Statement of Changes in Net Assets
- Statement of Cash Flows
- Notes to the Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Members of fire etc.

I have audited the statement of financial position of fire etc. (the "School") as at June 30, 2003 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the School's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the School as at June 30, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
September 22, 2003

fire etc. (Emergency Training Centre)

STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2003

	2003	2002 As restated, Note 18
ASSETS		
Current:		
Cash	$ 97,791	$ 1,102,024
Accounts receivable	1,348,334	841,960
Inventories (Note 3)	158,261	106,495
Prepaid expenses	4,257	40,380
Current portion of loans receivable (Note 4)	8,676	18,873
	1,617,319	2,109,732
Loans receivable (Note 4)	4,936	3,202
Capital assets (Note 5)	6,828,944	7,064,633
	$ 8,451,199	$ 9,177,567
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current:		
Accounts payable and accrued liabilities	560,264	701,349
Due to Lakeland College (Note 14)	662,843	594,351
Unearned revenue and deferred contributions (Note 6)	895,332	919,092
Current portion of long term debt (Note 9)	153,593	152,183
	2,272,032	2,366,975
Long term debt (Note 9)	496,603	628,666
Unamortized deferred capital contributions (Note 8)	5,851,173	5,968,917
Net assets		
Share capital (Note 10)	1	1
Unrestricted net assets	(367,484)	28,235
Invested in capital assets	198,874	184,773
	(168,609)	213,009
	$ 8,451,199	$ 9,177,567

The accompanying notes are part of these financial statements.

fire etc. (Emergency Training Centre)

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2003

	Budget 2003 (Note 15)	**2003**	2002
Revenues:			
Program fees	$ 4,029,168	**$ 4,006,459**	$ 3,147,295
Grants (Note 6)	2,749,356	**2,180,111**	2,233,256
Amortization of deferred capital contributions (Note 8)	314,580	**457,614**	350,278
Sales, rentals and services	-	**27,116**	83,791
Investments	15,000	**13,725**	27,100
Donations	-	**241**	-
	7,108,104	**6,685,266**	5,841,720
Expenses:			
Professional development	53,963	**28,603**	33,185
Salaries and benefits (Note 11)	2,785,686	**3,025,376**	2,676,463
Supplies and services	1,243,408	**1,301,937**	1,180,549
Consulting fees	1,426,842	**1,083,423**	792,959
Insurance expense	119,994	**151,770**	99,168
Interest and bank charges	17,592	**26,036**	18,948
Interest on long term debt	56,178	**27,325**	39,834
Facilities costs	310,877	**469,206**	337,960
Utilities	175,596	**205,369**	168,782
Subsidized student lodging	206,028	**123,914**	140,097
Bad debt expense	-	**67,866**	-
Loss on disposal of assets	-	**6,872**	-
Amortization of externally funded capital assets	314,580	**457,614**	350,278
Amortization of internally funded capital assets	93,420	**91,573**	91,573
	6,804,164	**7,066,884**	5,929,796
Excess (deficiency) of revenues over expenses	$ 303,940	**$ (381,618)**	$ (88,076)

The accompanying notes are part of these financial statements.

fire etc. (Emergency Training Centre)

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2003

	2003				2002
	Unrestricted	Invested in Capital Assets	Share Capital	Total	Total
Excess (deficiency) of revenues over expenses	$ (381,618)	-	-	$ (381,618)	(88,076)
Transfers:					
Amortization of internally funded capital assets	91,573	(91,573)	-	-	-
Disposal of assets	26,372	(26,372)		-	
Repayment of loans	(132,046)	132,046	-	-	-
Increase (decrease) in net assets	(395,719)	14,101	-	(381,618)	(88,076)
Balance at beginning of year	28,235	184,773	1	213,009	301,085
Balance at end of year	$ (367,484)	$ 198,874	$ 1	$ (168,609)	$ 213,009

The accompanying notes are part of these financial statements.

fire etc. (Emergency Training Centre)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2003

	2003	2002 As restated, Note 18
Cash flows from (used in) operating activities:		
Cash receipts from customers	**$ 3,700,343**	$ 3,564,674
Cash paid to suppliers and employees	**(6,545,778)**	(5,805,968)
Grants received	**1,981,876**	2,180,279
Donations	**241**	-
Investment income received	**15,054**	30,109
Interest paid	**(53,279)**	(60,363)
Cash used in operating activities	**(901,543)**	(91,269)
Cash flows from (used in) investing activities:		
Amounts collected from employees	**18,574**	19,023
Loans advanced to employees	**(10,111)**	(2,380)
Proceeds from sale of assets	**19,500**	-
Purchased capital assets	**(339,870)**	(743,074)
Cash used in investing activities	**(311,907)**	(726,431)
Cash flows from (used in) financing activities:		
Proceeds from loans for computer loan program	**1,393**	1,454
Repayment of long term debt	**(132,046)**	(133,727)
Capital contributions received (Note 7)	**339,870**	743,074
Cash provided from financing activities	**209,217**	610,801
Decrease in cash	**(1,004,233)**	(206,899)
Cash, beginning of year	**1,102,024**	1,308,923
Cash, end of year	**$ 97,791**	$ 1,102,024

The accompanying notes are part of these financial statements.

fire etc. (Emergency Training Centre)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

Note 1 Authority and Purpose

Effective July 1, 2002, by order in Council dated June 25, 2002 and in accordance with a resolution of the Board of Governors of Lakeland College (the "College"), the Province of Alberta approved the incorporation of **fire etc.** (Emergency Training Centre) herein referred to as (the "School") under Part IX of the Companies Act on July 17, 2002 as a not-for-profit organization. The School is exempt from taxes under the Income Tax Act. The School, in cooperation with clients and partners, provides emergency service training programs.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

(a) Basis of Presentation

The School, a wholly owned subsidiary of Lakeland College, continues the operations of its predecessor corporation, the Alberta Fire Training School Inc.. The 2002 figures in the June 30, 2002 financial statements of the predecessor corporation have been recorded as the comparative figures in these financial statements.

The financial statements reflect the operations of the School for the year ended June 30, 2003 including the period July 1 to July 16, 2002, when the School was operating as Alberta Fire Training School Inc..

(b) Classification of Callable Debt Obligations and Debt Obligations Expected to be Refinanced

All borrowings, where the lender has the right to demand repayment within a period of twelve months (other than in the event of default or breach of covenants), or where the lender may decide not to roll over the borrowings for a further lending period longer than twelve months, are classified as current liabilities unless a waiver has been obtained from the School's lender indicating payment of demand facilities will not be required in the next twelve months.

(c) Revenue Recognition

i) Operating grants from the College are recorded as revenue in the period they become receivable.

ii) Amounts received for program fees and the sale of goods and services are recognized as revenue at the time the goods are delivered or the services are provided.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

iii) Capital grants from the College and capital donations are recorded as deferred capital contributions until the amounts are invested in capital assets. Amounts invested representing funded capital assets are transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as revenue in the periods in which the related amortization expense for the funded capital assets is recorded.

iv) Externally restricted non-capital contributions are deferred and recognized as revenue in the year when related expenses are incurred.

v) Capital assets contributed, or restricted contributions for the purchase of capital assets, which will not be amortized, are recorded as direct increases to net assets invested in capital assets.

vi) Unrestricted cash donations are recognized as revenue when they are received. Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can reasonably be determined.

(d) Capital Assets

The land and buildings, which house the School, were transferred to the College from the Department of Infrastructure (Infrastructure) on March 31, 1998. The remaining useful life of the buildings at the time of transfer was 3 years to 37 years.

A renewable facility license agreement was granted to the predecessor corporation effective April 1, 1998 for use of the College assets. The facility license, providing the right to use the buildings and land, was recorded as an asset of the predecessor corporation at fair value. Fair value was estimated as Alberta Infrastructure's net book value at the time of transfer to the College. The facility license agreement has been renewed effective July 1, 2002.

Subsequent additions are recorded as leasehold improvements at cost.

Furnishings and equipment are recorded at cost, except for donated assets, which are recorded at fair value.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

Capital assets are amortized on a straight-line basis over the following estimated average useful lives:

Facility license - buildings	3 to 37 years
Furniture and equipment	10 years
Computers and telecommunication equipment	5 years
Service vehicles	5 years
Leasehold improvements	30 to 32 years

(e) Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method.

(f) Employee future benefits

The School participates in the Management Employees Pension Plan and Local Authorities Pension Plan. These pension plans are multi-employer defined benefit plans that provide pensions for the School's employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the period based on rates which are expected to provide for benefits payable under the respective pension plans. The School's portion of the pension plans' deficit or surplus is not recorded by the School.

(g) Measurement Uncertainty

The financial statements by their nature contain estimates and are subject to measurement uncertainty. For example, the amounts recorded for amortization of capital assets and amortization of deferred capital contributions are based on estimates of the useful lives of the related assets. The effect on the financial statements of changes in such estimates could be significant.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(h) Financial Instruments

The carrying values of accounts receivable and accounts payable and accrued liabilities approximate their fair market values because of the short-term nature of these items.

The carrying value of the long-term debt approximates its market value.

The Canadian Imperial Bank of Commerce loans in the amount of $44,685 bear interest, which fluctuates with the Bank of Canada prime rate, thus exposing the organization to interest rate fluctuations.

Note 3 Inventories

Inventories consist of:

	2003	2002
Firefighting agents	**$ 69,973**	$ 67,115
Fuels	**42,475**	35,555
Course guides	**36,453**	-
Consumables	**9,360**	3,825
	$ 158,261	$ 106,495

fire etc. (Emergency Training Centre)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

Note 4 Loans Receivable

	2003	2002
Employee loans receivable	**$ 13,612**	$ 22,075
Less: current portion	**(8,676)**	(18,873)
	$ 4,936	$ 3,202

The loans are receivable from employees in bi-weekly installments of $675 including interest at a rate of 8.5% per annum. The advances were made under the provisions of an employee computer purchase program with installments made through payroll deductions.

Aggregate annual maturities of long-term loans receivable follow:

2004	$ 8,676
2005	3,681
2006	1,255
2007	-
2008 and subsequent	-
	$ 13,612

Note 5 Capital Assets

Capital assets consist of:

	2003			2002
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value As restated, Note 18
Facility License				
Buildings	**$ 5,254,016**	**$ 955,215**	**$ 4,298,801**	$ 4,461,738
Land	**97,091**	**-**	**$ 97,091**	97,091
Furniture and equipment	**1,068,639**	**330,395**	**$ 738,244**	673,196
Computers and telecommunications equipment	**1,061,874**	**404,149**	**$ 657,725**	745,451
Leasehold improvements	**989,908**	**93,915**	**$ 895,993**	897,195
Service vehicles	**350,611**	**209,521**	**$ 141,090**	189,962
	$ 8,822,139	**$ 1,993,195**	**$ 6,828,944**	$ 7,064,633

The School participated with the College in the purchase of a computer system. The School's 20% share of the cost of this system is included in the computers and telecommunications equipment.

Note 6 Unearned Revenue and Deferred Contributions

	2003	2002
Deferred contributions	**$ 51,765**	$ 81,250
Unearned revenue	**843,567**	837,842
	$ 895,332	$ 919,092

Note 6 Unearned Revenue and Deferred Contributions (continued)

The deferred contribution balance is comprised of the following:

	2003	2002
Amounts received or receivable from:		
Alberta Learning	**$ 2,060,764**	$ 2,025,000
Alberta Municipal Affairs	**47,696**	100,000
Human Resources Development Canada	**42,166**	55,279
	$ 2,150,626	$ 2,180,279
Amounts recognized as revenue:		
Grants	**(2,060,764)**	(2,025,000)
Grant for implementation plan	**-**	(48,270)
Conditional grants	**(119,347)**	(159,986)
	(2,180,111)	(2,233,256)
Change during the year	**$ (29,485)**	$ (52,977)
Balance at beginning of year	**81,250**	134,227
	$ 51,765	$ 81,250

Unspent amounts at the end of the year are restricted for the following purposes:

	2003	2002
Current:		
Safety Codes Officer Training Initiative	**51,765**	81,250
	$ 51,765	$ 81,250

Note 7 Deferred Capital Contributions

Changes in deferred capital contributions are as follows:

	2003	2002 As restated, Note 18
Balance at beginning of year	$ -	$ -
Capital grants received during the year	323,653	743,074
Capital donations received during the year	16,217	-
Transferred to unamortized deferred capital contributions (Note 8)	(339,870)	(743,074)
Balance at end of year	$ -	$ -

Note 8 Unamortized Deferred Capital Contributions

	2003	2002 As restated, Note 18
Balance at beginning of year	$ 5,968,917	$ 5,576,121
Transferred from deferred capital contributions (Note 7)	339,870	743,074
Transferred to revenue	(457,614)	(350,278)
Balance at end of year	$ 5,851,173	$ 5,968,917

Note 9 Long Term Debt

Details of long-term debt and security held follow:

	2003			2002
	Total	**Current portion**	**Long term portion**	Long term portion
(a) Bank loan	**$ 556,541**	**$ 94,905**	**$ 461,636**	$ 555,706
(b) Bank loan	**10,801**	**6,278**	**4,523**	10,801
(c) Finance contracts	**38,188**	**21,652**	**16,536**	38,179
(d) Conditional sales contract	**19,736**	**10,764**	**8,972**	19,736
(e) Bank loan	**24,930**	**19,994**	**4,936**	4,244
	$ 650,196	**$ 153,593**	**$ 496,603**	$ 628,666

(a) The bank loan is payable to the Canadian Imperial Bank of Commerce in monthly installments of $9,171 including interest fixed at a rate of .70% above the interest rate paid on the term deposit held for collateral. The interest rate at June 30, 2003 was 2.95%. The loan is secured with a general security agreement and an $800,000 term deposit owned by Lakeland College. The loan matures in 2010.

(b) The bank loan is payable to the Bank of Nova Scotia in monthly installments of $586 including interest at a rate of 9.4%. The loan is secured by a lien on a service vehicle with a net book value of $13,010 and matures in 2005.

(c) The finance contracts are payable to the General Motors Acceptance Corporation in combined monthly installments of $1,849 including interest at a rate of 1.9%. The contracts are secured by liens on service vehicles with a net book value of $46,855 and mature in 2005.

Note 9 Long Term Debt (continued)

(d) The bank loan, payable to the Canadian Imperial Bank of Commerce is payable in monthly installments of $897 plus interest at a rate equal to the bank's prime rate plus 0.75%. The contract is secured by a general security agreement and a lien on a service vehicle with a net book value of $24,146. The loan matures in 2005.

The proceeds for all the above loans were used to acquire capital assets.

(e) The bank loan, on employee computer purchases, payable to the Canadian Imperial Bank of Commerce, will be repaid in installments equal to bi-weekly payroll deductions of $675 including interest at a rate equal to the bank's prime rate plus 1%. The loan matures in 2003.

Although the Canadian Imperial Bank of Commerce loans are demand in nature, the bank has agreed to waive the demand provisions until July 1, 2004, and therefore these loans have been classified as long term in nature.

Aggregate annual maturities of long-term debt follow:

2003	$ 153,593
2004	131,455
2005	101,921
2006	103,675
2007 and subsequent	159,552
	$ 650,196

Note 10 Share Capital

	2003	2002
Authorized:		
1000 Class "A" voting common shares		
Issued:		
100 common shares	$ 1	$ 1

fire etc. (Emergency Training Centre)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

Note 11 Salaries and Benefits

	2003			2002		
	Salary (a)	**Benefits and Allowances(b)**	**Total**	Salary (a)	Benefits and Allowances(b)	Total
Chairman of the Board	**$ 10,476**	**$ 486**	**$ 10,962**	$ 6,310	$ 230	$ 6,540
Board Members	**30,637**	**963**	**31,600**	22,182	524	22,706
Chief Executive Officer	**106,731**	**18,040**	**124,771**	96,731	14,625	111,356
VP - Finance and Corporate Services	**28,541**	**2,892**	**31,433**	-	-	-
Managers, Operations (4)	**241,875**	**38,791**	**280,666**	246,008	29,546	275,554
Manager, Course Development and Accreditation	**72,000**	**12,290**	**84,290**	71,277	9,098	80,375

(a) Salaries include regular pay, bonuses, overtime, lump sum payments and honoraria.

(b) Benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension plans, unemployment insurance, health care, dental coverage, group life insurance, accidental disability and dismemberment insurance and disability plans.

(c) The salary and benefit disclosure is provided pursuant to Treasury Board Directive 12/98 and includes only the salaries and benefits of those individuals in the senior decision making group of the School.

Note 12 Pensions Expense

The School participates in multi-employer pension plans, the Management Employees Pension Plan and Local Authorities Pension Plan. The expense for these pension plans is equivalent to the aggregate contributions of $114,947 for the year ending June 30, 2003, and $92,543 for the year ended June 30, 2002.

At December 31, 2002, the Management Employees Pension Plan reported a deficit of $302 million (2001 surplus $5.34 million) and the Local Authorities Pension Plan reported a deficit of $445.0 million (2001 surplus $635.0 million).

Note 13 Lease Commitments

The School has the following operating lease commitments for duplicating and faxing equipment:

2004	6,127
2005	6,127
2006	6,127
2007	3,064
2008 and subsequent	-
	$ 21,445

Note 14 Related Party Transactions

Lakeland College

The School is a wholly owned subsidiary of the College. The Board of Governors of Lakeland College appoints five of its members to the School's eight member Board of Directors. The School is economically dependent on the College for grant revenue in order to maintain its ability to continue viable operations and services. A renewable facility license agreement has been granted to the School for use of the College assets (see Note 2(d)). Transactions during the period between the School and the College, measured at the exchange amount, are summarized as follows:

	2003	2002 As restated, Note 18
Operating Grants from the College	**$ 2,060,764**	$ 2,025,000
LEE Grant	-	3,923
Supplies, Goods and Services purchased from the College	**653,031**	518,676
Services sold to the College	**93,236**	108,368
Capital Grants	**323,653**	743,074

As at the date of the Statement of Financial Position, the school had:

	2003	2002
Due to Lakeland College	**662,843**	594,351

Included in the Due to Lakeland College is an amount of $153,360 with interest payable at a rate of 4% per annum which was for the purchase of capital assets.

Note 15 Budget

On June 10, 2002, the Board of Directors approved a revenue and expense budget by program and department for the year ended June 30, 2003.

Note 16 Amount in Dispute

An assessment by Canada Customs and Revenue Agency (CCRA) for Goods and Services tax has resulted in $205,996 being recorded in accounts payable and accrued liabilities. The School is disputing the assessment. It is the view of management that this amount will be recovered through the appeal process.

Note 17 Comparative Figures

Certain prior year figures have been reclassified to conform to the current year presentation.

Note 18 Prior Period Adjustments

Capital assets and unamortized deferred capital contributions

During the year, the School determined that its portion (20%) of a computer system (Note 5) should have been fully capitalized in the fiscal year ended June 30, 2002. It was also determined that the funding for this purchase should have been recorded in the fiscal year ended June 30, 2002 as a capital grant from Lakeland College.

Adjustments have been made retroactively and the prior period amounts have been restated as follows:

	As originally Reported	Adjustments	As restated
Statement of Financial Position			
Capital assets as at June 30, 2002	$ 6,760,546	$ 304,087	$ 7,064,633
Unamotized deferred capital contribution as at June 30, 2002	5,664,830	304,087	5,968,917
Statement of Cash Flows			
Purchased capital assets For the year ended June 30, 2002	438,987	304,087	743,074
Capital contributions received For the year ended June 30, 2002	438,987	304,087	743,074

Note 19 Approval of Financial Statements

The financial statements have been approved by the Board of Directors of **fire etc.** (Emergency Training Centre).

LETHBRIDGE COMMUNITY COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2003

Auditor's Report

Consolidated Statement of Financial Position

Consolidated Statement of Revenue and Expense

Consolidated Statement of Changes in Net Assets

Consolidated Statement of Cash Flows

Notes to the Consolidated Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Governors of
Lethbridge Community College

I have audited the consolidated statement of financial position of Lethbridge Community College as at June 30, 2003 and the consolidated statements of revenue and expense, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

FCA
Auditor General

Edmonton, Alberta
September 23, 2003

LETHBRIDGE COMMUNITY COLLEGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2003

	2003	2002
ASSETS		
Current:		
Cash and investments (Note 3)	$ 72,950	$ 61,405
Accounts receivable (Note 4)	1,359,789	1,218,811
Accrued investment income	37,383	60,805
Inventories (Note 5)	571,918	733,351
Prepaid expenses	378,471	311,940
	2,420,511	2,386,312
Non-current cash and investments (Note 3)	9,049,183	12,250,749
Capital assets (Note 6)	51,653,982	51,204,788
	$ 63,123,676	$ 65,841,849
LIABILITIES AND NET ASSETS		
Current:		
Bank overdraft	$ 1,689,887	$ 886,348
Accounts payable and accrued liabilities	996,904	2,471,780
Accrued vacation pay	761,306	709,449
Unearned revenue (Note 7)	924,200	813,036
Deferred contributions (Note 8)	1,969,265	2,962,026
Current portion of debenture payable (Note 10)	133,621	125,909
	6,475,183	7,968,548
Deferred capital contributions (Note 8)	388,140	1,481,875
Debenture payable (Note 10)	6,246,828	6,380,449
Unamortized deferred capital contributions (Note 11)	37,121,192	37,939,626
	43,756,160	45,801,950
	50,231,343	53,770,498
Net assets:		
Internally restricted (Note 12)	766,747	1,762,927
Investment in capital assets (Note 6)	8,152,341	6,758,804
Endowments (Note 13)	3,973,245	3,549,620
	12,892,333	12,071,351
Commitments and contingencies (Note 21)		
	$ 63,123,676	$ 65,841,849

The accompanying notes are part of these financial statements.

LETHBRIDGE COMMUNITY COLLEGE
CONSOLIDATED STATEMENT OF REVENUE AND EXPENSE
FOR THE YEAR ENDED JUNE 30, 2003

	2003		2002
	Budget (Note 22)	Actual	Actual
Revenue:			
Grants (Note 14)	$ 25,235,396	$ 26,348,179	$ 24,403,161
Tuition and related fees	13,576,869	13,150,408	11,942,804
Sales, rentals and services (Note 15)	6,627,767	6,689,450	6,147,664
Contract programs	1,300,556	1,112,352	1,595,686
Investment income (Note 16)	595,196	161,009	380,603
Donations	100,000	150,730	162,399
Amortization of deferred capital contributions (Note 11)	3,532,118	3,675,642	3,191,336
	50,967,902	51,287,770	47,823,653
Expense (Note 17):			
Salaries and benefits (Note 18)	33,366,690	34,010,747	32,230,456
Supplies and services	7,471,744	7,473,584	6,789,442
Cost of sales, rentals and services (Note 15)	3,106,896	3,056,680	2,944,498
Utilities	1,675,808	1,677,656	1,251,443
Scholarships and bursaries	77,000	119,814	113,334
Debenture interest	405,781	395,944	243,270
Amortization of capital assets	4,268,517	4,110,555	3,592,555
	50,372,436	50,844,980	47,164,998
Excess of revenue over expense	$ 595,466	$ 442,790	$ 658,655

LETHBRIDGE COMMUNITY COLLEGE
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2003

	2003					2002
	Unrestricted	Internally Restricted (Note 12)	Investment in Capital Assets (Note 6)	Restricted for Endowment Purposes (Note 13)	Total	Total
Balance at beginning of year	$ -	$ 1,762,927	$ 6,758,804	$ 3,549,620	$ 12,071,351	$ 11,079,284
Excess of revenue over expense	442,790	-	-	-	442,790	658,655
Net internally restricted assets utilized	996,180	(996,180)	-	-	-	-
Capital assets acquired from internal funds	(1,735,551)	-	1,735,551	-	-	-
Amortization of internally funded capital assets	467,923	-	(467,923)	-	-	-
Repayment of debenture related to capital assets	(125,909)	-	125,909	-	-	-
Transfer to endowments	(45,433)	-	-	45,433	-	-
Endowment contributions received	-	-	-	378,192	378,192	333,412
Balance at end of year	$ -	$ 766,747	$ 8,152,341	$ 3,973,245	$ 12,892,333	$ 12,071,351

LETHBRIDGE COMMUNITY COLLEGE
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2003

	2003		2002
	Budget (Note 22)	Actual	Actual
Cash flows generated from operating activities:			
Excess of revenue over expense	$ 595,466	$ 442,790	$ 658,655
Amortization of capital assets	4,268,517	4,110,555	3,592,555
Amortization of deferred capital contributions	(3,532,118)	(3,675,642)	(3,191,336)
	1,331,865	877,703	1,059,874
Changes in non-cash working capital:			
Accounts receivable	-	(140,978)	315,992
Accrued investment income	-	23,422	(1,048)
Inventories	-	161,433	3,881
Prepaid expenses	-	(66,531)	(25,807)
Accounts payable and accrued liabilities	-	260,504	(74,349)
Accrued vacation pay	-	51,857	102,083
Unearned revenue	-	111,164	(101,150)
Deferred contributions	874,000	(992,761)	69,049
	874,000	(591,890)	288,651
	2,205,865	285,813	1,348,525
Cash flows used by investing activities:			
Acquisition of capital assets:			
From internal funds	(905,861)	(1,735,551)	(112,057)
From deferred contributions	(1,412,735)	(2,857,208)	(10,568,102)
From debenture funds	-	-	(2,763,021)
Proceeds from disposal of capital assets	-	33,010	15,209
Decrease in non-current cash and investments	-	3,201,566	1,813,801
	(2,318,596)	(1,358,183)	(11,614,170)
Cash flows generated from financing activities:			
Capital contributions received	1,469,188	794,188	4,792,971
Transfer from (to) Deferred Contributions	-	969,285	(803,761)
Debenture principal repayment	(118,461)	(125,909)	(118,642)
Accounts payable and accrued liabilities for construction	(1,016,480)	(1,735,380)	(37,096)
Endowment contributions received	-	378,192	333,412
	334,247	280,376	4,166,884
Increase (decrease) in current cash and investments, net of change in bank overdraft	221,516	(791,994)	(6,098,761)
Current cash and investments, net of bank overdraft, beginning of year	1,178,283	(824,943)	5,273,818
Current cash and investments, net of bank overdraft, end of year	$ 1,399,799	$ (1,616,937)	$ (824,943)

LETHBRIDGE COMMUNITY COLLEGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2003

Note 1 Authority and Purpose

Lethbridge Community College was established as a board governed institution on April 17, 1957. The College operates under the authority of the Colleges Act, Chapter C-19, revised Statutes of Alberta 2000. The College provides educational programs to serve the career education and training needs of students and employers and to respond to personal and community development needs through an extensive offering of general interest courses and public service outreach activities. The College is a registered charity and is exempt from payment of income tax.

Note 2 Significant Accounting Policies and Reporting Practices

(a) Consolidated Statements

These consolidated financial statements include the accounts of Lethbridge Community College Foundation ("the Foundation"), which operates under the Companies Act of Alberta. The Foundation is a registered charity and is exempt from payment of income tax. Certain administrative services are provided by the College without charge to the Foundation.

The accounts of the two organizations have been consolidated to reflect the financial position and results of operations as though they were a single economic entity, since the Foundation solicits, receives and administers donations for the advancement of the College. Inter-entity balances and transactions have been eliminated on consolidation.

(b) Revenue Recognition

Operating contributions, including grants from the Province of Alberta, are recognized as revenue in the period when they become receivable. Operating contributions received for a future period are reported as deferred contributions and recognized as revenue in the subsequent period.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(b) Revenue Recognition (continued)

Capital contributions, including capital grants from the Province of Alberta, are recorded as deferred capital contributions until the amount is invested in capital assets. Amounts invested representing funded capital assets are then transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded. The related portion of amortization expense and the deferred capital contributions revenue are matched to indicate that the related amortization expense has been funded. Capital contributions invested in capital assets that will not be amortized are recognized as direct increases in net assets.

Externally restricted non-capital contributions and externally restricted interest earned on non-capital contributions are deferred and are recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for purposes designated by external parties. If the contributors stipulate that the amounts cannot be expended, as is the case with endowments, the contributions are recorded as direct increases in net assets.

Donations which are not externally restricted are recognized as revenue when they are received. Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

Pledges are recorded in the year the donation is received.

Amounts received for tuition fees and sale of goods and services are classified as unearned and recognized as revenue at the time the goods are delivered or the services are provided.

(c) Net Assets Internally Restricted

Net assets internally restricted represent amounts set aside by the College Board of Governors, or by the Foundation Board of Directors, to be used for designated purposes.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(d) Investments

Temporary investments are recorded at the lower of cost or market value.

Investments intended to be held for longer term are recorded at cost. Gains and losses on investments are recognized as realized or when there is an other than temporary impairment in the value of the investment.

(e) Inventories

Inventories held for resale are valued at the lower of cost and net realizable value. Inventories held for consumption are valued at the lower of cost and replacement value. Cost is determined using the weighted average method for the Bookstore and the first in, first out method for all other inventories.

(f) Capital Assets

Capital assets are recorded at cost. Donated assets are recorded at fair value at the time of the donation.

Capital assets are amortized on a straight-line basis as follows:

Buildings and site improvements	40 years
Leasehold improvements	Period of lease
Furnishings and equipment	10 years
Library	10 years
Motor vehicles	5 years
Computer equipment and systems software	5 years
Audio and visual equipment	2 years

The permanent art collection is recorded at the appraised value at the time of donation. The permanent art collection is not amortized. The collection is made up of numerous pieces of art that are held for display at the College.

Capital projects in progress are not amortized until the project is complete.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(g) Employee Future Benefits

The College participates in the Local Authorities Pension Plan. This pension plan is a multi-employer defined benefit pension plan that provides pensions for the College's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the pension plan. The College's portion of the pension plan's surplus or deficit is not recorded in the accounts.

(h) Financial Instruments

The carrying values of cash, accounts receivable, accrued investment income, accounts payable and accrued vacation pay approximate their fair values because of the short-term maturities of these items. The carrying value of the debenture payable approximates fair value as of June 30, 2003.

(i) Use of Estimates

The preparation of the consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Note 3 Cash and Investments

The Board of Governors has approved an investment strategy with primary investment objectives being the preservation of capital and the generation of a competitive total return. The investment policy provides guidelines on the asset mix, diversification, quality and nature of securities, and the term of the fixed income securities. The guidelines are as follows:

a) Asset Class

Cash equivalents	from 0% to 60% of total portfolio
Fixed income securities	from 40% to 80% of total portfolio
Equities	from 0% to 50% of total portfolio

To measure investment performance and identify the return attributed to the asset mix and asset selection decisions, the College has established a portfolio benchmark of 5% cash equivalents, 60% fixed income securities and 35% equities. Further, it measures cash equivalent returns against the return from the historical treasury bill rate over a rolling four year period, fixed income returns against the return for the Scotia McLeod Universe Index, and equity returns against the return for the TSX 300 Index, S&P 500 Index for U.S. equities and the Morgan Stanley Capital International, Europe, Australia and Far East Index for international equities.

b) Diversification

No more than 10% of the total portfolio will be invested in any one money market issuer other than investments in issuers with a minimum BBB rating as defined by a recognized bond rating service or those guaranteed by the Government of Canada or the Province of Alberta. With these conditions, the maximum investment may be extended to 20% of the total portfolio. No more than 10% of the portfolio will be invested in any one government bond issue other than the Government of Canada or the Province of Alberta. A 30% maximum is placed on any single industry investment and a 4% maximum on any single issuer in the private sector.

Note 3 Cash and Investments (continued)

c) Quality and Nature of Securities

All money market securities will be rated "R-1" or equivalent by the Canadian Bond Rating or the Dominion Bond Rating Services. All corporate and government bonds will carry a rating of a minimum equivalent BBB rating by a recognized bond rating service.

	2003		2002	
	Carrying Value	Fair Value(i)	Carrying Value	Fair Value(i)
Cash and temporary investments:				
Cash (Overdraft of investment margin account)	$(1,135,204)	$ (1,135,204)	$ 363,078	$ 363,078
Fixed income:(ii)				
Federal guaranteed bonds	1,098,568	1,127,185	1,983,432	1,963,053
Provincial guaranteed bonds	1,003,783	1,056,767	1,110,851	1,133,134
Corporate bonds	1,597,989	1,667,531	2,957,763	3,017,294
Foreign currencies bonds	1,070,000	1,055,111	1,324,064	1,340,422
	4,770,340	4,906,594	7,376,110	7,453,903
Equities:(i)				
Canadian	1,793,200	1,957,654	1,258,042	1,458,406
Foreign	3,693,797	2,926,962	3,314,924	2,813,882
	5,486,997	4,884,616	4,572,966	4,272,288
	9,122,133	8,656,006	12,312,154	12,089,269
Less amounts not available for current purposes	9,049,183	8,583,056	12,250,749	12,027,864
Cash and investments	$ 72,950	$ 72,950	$ 61,405	$ 61,405

(i) On a total basis, the market value of all investments is $466,127 (2002 - $222,885) less than cost. Within the investment portfolio, equities, at market value of $4,884,616, are $602,381 (2002 - $300,678) less than cost. The carrying value of certain securities have been written down to market value because management has concluded, based on review of market information, that there is indication of impairment that is other than temporary. In 2003, the write down of $269,076 (2002 - $215,649) in investment cost is netted against investment income on the statement of revenue and expense and a reduction in the value of non-current cash and investments on the statement of financial position. The carrying values of the remaining securities have not been written down to market value as management has concluded that there is no obvious indication of impairment that is other than temporary.

(ii) The terms of the bond portfolio range from 1 year to 9 years with an average term to maturity of 5 years (2002 - 5 years). The average effective yield on the bond portfolio is 5.31% (2002 - 6.04%).

Note 4 Accounts Receivable

	2003	2002
Contracts programs	$ 485,066	$ 319,619
Province of Alberta:		
Alberta Learning	123,416	187,975
Alberta Infrastructure	42,558	4,177
Other Alberta Government departments	196,030	118,274
Tuition fees	84,284	163,263
Other	428,435	425,503
	$ 1,359,789	$ 1,218,811

Note 5 Inventories

	2003	2002
Bookstore	$ 404,769	$ 396,430
Aquaculture	-	129,392
Printing	75,491	103,742
Cafeteria	39,646	49,958
Distance Education Centre	10,407	10,634
Other	41,605	43,195
	$ 571,918	$ 733,351

Note 6 Capital Assets

a) Summary of Cost and Net Book Value

	2003			2002
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 432,465	$ -	$ 432,465	$ 432,465
Building and site improvements	86,871,519	41,493,752	45,377,767	36,779,359
Leasehold improvements	49,826	49,826	-	-
Furnishings and equipment	11,128,691	8,920,678	2,208,013	1,802,082
Library	1,080,765	861,811	218,954	203,385
Motor vehicles	957,704	681,262	276,442	127,534
Computer equipment and systems software	8,473,565	6,970,618	1,502,947	1,355,795
Audio and visual equipment	531,952	509,785	22,167	13,760
Permanent art collection	370,749	-	370,749	370,749
	109,897,236	59,487,732	50,409,504	41,085,129
Capital projects in progress	1,244,478	-	1,244,478	10,119,659
	$ 111,141,714	$ 59,487,732	51,653,982	51,204,788
Less: Construction financed by debenture			6,380,449	6,506,358
Unamortized deferred capital contributions			37,121,192	37,939,626
Net investment in capital assets			$ 8,152,341	$ 6,758,804

b) Capital Acquisitions

Capital acquisitions during the year included certain donations in kind at fair value of $109,299 (2002 - $9,742).

Note 7 Unearned Revenue

	2003	2002
Contract programs	$602,354	$494,681
Tuition fees	246,996	231,634
Other	74,850	86,721
	$924,200	$813,036

Note 8 Deferred Contributions and Deferred Capital Contributions

Deferred contributions represent donations and contributions received relating to future years and unspent funds for externally restricted purposes. Changes in the balances are as follows:

	2003	2002
Contributions received:		
Grants, Province of Alberta	$ 694,830	$ 4,260,000
Other contributions	613,303	819,191
Investment income on net assets externally restricted for endowment purposes	157,633	106,718
Transferred to:		
Grants, Province of Alberta	(386,691)	(858,533)
Donations	(150,730)	(162,399)
Investment income (Note 16)	(157,633)	(106,718)
Unamortized deferred capital contributions (Note 11)	(2,857,208)	(10,568,102)
Decrease during the year	(2,086,496)	(6,509,843)
Balance at beginning of year	4,443,901	10,953,744
Balance at end of year	$ 2,357,405	$ 4,443,901

The balances at end of year represent funds held for the following purposes:

	2003	2002
Deferred contributions:		
Conditionally funded projects	$ 372,830	$ 1,337,780
Access program support	708,881	793,623
Scholarships, awards and bursaries	880,908	819,855
Other	6,646	10,768
	1,969,265	2,962,026
Deferred capital contributions:		
Conditionally funded projects: Buildings	255,020	1,359,685
Furniture and Equipment	107,359	93,359
Endowment earnings	25,761	28,831
	388,140	1,481,875
	$ 2,357,405	$ 4,443,901

Note 9 Pension Costs

The College participates in the Local Authorities Pension Plan which is a multi-employer defined benefit plan. The pension expense recorded in these financial statements is equivalent to the College's annual contributions payable of $1,329,614 for the year ended June 30, 2003 (2002 - $1,188,507).

At December 31, 2002, the Local Authorities Pension Plan reported a deficit of $444,980,000 (2001 – surplus of $634,960,000).

Note 10 Debenture Payable

The College Board received approval of the Lieutenant Governor in Council to borrow funds from the Alberta Capital Finance Authority (the "ACFA") to finance the campus residence expansion project. A $6,625,000 debenture (the "debenture") dated February 23, 2001, was issued by the College in favor of ACFA. The debenture is secured by a security agreement dated February 23, 2001 between the College and ACFA pursuant to which the College granted, in favor of ACFA, a security interest in all present and after acquired intangibles, accounts, monies, book debts, instruments, claims or rights and insurance proceeds.

The debenture, bearing interest at the rate of 6.125% per annum, is to be repaid in annual installments of $524,424, principal and interest. The debenture is due March 1, 2027.

	2003	2002
Debenture payable	$ 6,380,449	$ 6,506,358
Less current portion	133,621	125,909
	$ 6,246,828	$ 6,380,449

The aggregate maturities of principal required over the next five years and to maturity are as follows:

2004	$ 133,621
2005	141,805
2006	150,491
2007	159,709
2008	169,491
Thereafter	5,625,332
Total debenture payable	$6,380,449

Note 11 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the external funds invested in capital assets which will be recognized as revenue in future periods. Changes in the unamortized deferred capital contributions balance are as follows:

	2003	2002
Balance at beginning of year	$ 37,939,626	$ 30,562,860
Add amount transferred from deferred contributions (Note 8)	2,857,208	10,568,102
Less amount amortized to revenue	(3,675,642)	(3,191,336)
Balance at end of year	$ 37,121,192	$ 37,939,626

Note 12 Net Assets Internally Restricted

Net assets internally restricted are held for the following purposes:

		Transfers to and from Unrestricted Net Assets		
	Balance at Beginning of Year	Deduct Funds Returned	Add Funds Appropriated	Balance at End of Year
Staff and program development	$ 729,538	$ 800,366	$ 461,346	$ 390,518
Foundation general reserve	17,528	891,737	892,965	18,756
College funded scholarships endowment earnings	128,754	5,250	11,121	134,625
Other endowment earnings	87,829	30,890	42,884	99,823
International education	71,450	-	-	71,450
Kodiak Team fund	55,927	96,126	90,795	50,596
Other	949	505	535	979
	1,091,975	1,824,874	1,499,646	766,747
Capital replacement	670,952	3,960,607	3,289,655	-
	$ 1,762,927	$ 5,785,481	$ 4,789,301	$ 766,747

The net transfer to Unrestricted Net Assets for the year ended June 30, 2003 comprises:

Funds returned	$ 5,785,481
Funds appropriated	4,789,301
	$ 996,180

Note 13 Endowments

Endowments consist of restricted donations to the College and internal allocations by the Board of Governors, the principal of which is required to be maintained intact. The investment income generated from endowments must be used in accordance with the various purposes established by the donors or the Board of Governors. Endowments comprise the following:

	2003			2002
	Externally Funded	Internally Funded	Total	Total
Ronald Tiffin Agricultural Endowment Fund	$1,110,977	$208,434	$1,319,411	$ 1,288,459
Scholarships	2,011,582	72,929	2,084,511	1,706,320
Kodiak Athletics Fund	205,402	66,350	271,752	265,426
Talbot Education Fund	115,565	37,647	153,212	149,645
Industrial Technology Fund	62,500	24,032	86,532	84,491
Native Canadian Fund	28,200	15,546	43,746	41,819
Environmental Fund	9,104	4,977	14,081	13,460
	$3,543,330	$429,915	$3,973,245	$ 3,549,620

Note 14 Grants

Grant revenue consists of amounts received from the following sources:

	2003		2002
	Budget (Note 22)	Actual	Actual
Alberta Learning	$ 24,098,596	$ 24,574,710	$ 22,428,878
Alberta Infrastructure	-	296,152	489,706
Other Alberta Government departments	455,507	743,599	829,042
Other sources	681,293	733,718	655,535
	$ 25,235,396	$ 26,348,179	$ 24,403,161

Note 15 Sales, Rentals and Services

Sales, rentals and services revenue and direct expense are summarized as follows:

	2003					2002
		Direct Expense				
	Revenue	Cost of Sales	Other	Total Direct Expense	Net	Net
Sales, rentals and non-ancillary services	$ 775,695	$ 586,434	$ -	$ 586,434	189,261	$ 156,538
Ancillary services (Note 17):						
Bookstore	2,635,718	1,936,334	215,740	2,152,074	483,644	343,151
Cafeteria	806,242	446,524	329,787	776,311	29,931	106,882
Residence	1,606,495	(1,537)	1,955,898	1,954,361	(347,866)	(272,633)
Parking	282,776	-	97,124	97,124	185,652	168,721
Meat Store	41,376	21,265	16,246	37,511	3,865	4,618
Carp operations	28,219	19,377	133,719	153,096	(124,877)	(24,936)
Daycare centre	190,196	-	199,720	199,720	(9,524)	(12,251)
Physical Education building	222,663	18,253	266,990	285,243	(62,580)	(65,064)
Health services	67,740	899	70,517	71,416	(3,676)	3,213
Athletics - special events	32,330	29,131	3,844	32,975	(645)	(1,346)
	5,913,755	2,470,246	3,289,585	5,759,831	153,924	250,355
	$ 6,689,450	$ 3,056,680	$ 3,289,585	$ 6,346,265	$ 343,185	$ 406,893

Note 16 Investment Income

	2003	2002
Investment earnings on net assets restricted for endowment purposes (Note 8)	$157,633	$106,718
Add investment income from other sources	272,452	489,534
Less write down of securities held for investment	(269,076)	(215,649)
Total investment income recognized as revenue	$161,009	$380,603

Note 17 Expense by Function

Instruction encompasses all formal educational and instructional program elements. Academic support includes all activities that directly support the educational and instructional elements such as academic administration, library and audio visual services. Student services include all scholarships, bursaries and activities or services to the student body of the College. Institutional support includes all activities that provide institution-wide support to other programs.

	2003		2002
	Budget (Note 22)	Actual	Actual
Instruction	$ 24,336,877	$ 24,187,258	$ 23,787,154
Academic support	4,172,666	4,690,465	4,193,044
Student services	2,207,273	2,461,100	2,295,925
Institutional support	8,338,115	8,343,058	7,273,521
Ancillary services (Note 15)	5,623,160	5,759,831	5,119,842
Computer services	1,903,014	1,782,748	1,373,586
Amortization of capital assets	4,268,517	4,110,555	3,592,555
	50,849,622	51,335,015	47,635,627
Less amortization of capital assets - Ancillary services	477,186	490,035	470,629
	$ 50,372,436	$ 50,844,980	$ 47,164,998

Note 18 Salaries and Benefits

	2003				2002	
	Number of Individuals(a)	Salary(b)	Benefits and Allowances(c)	Total	Number of Individuals(a)	Total
Chairman of the Board of Governors	1	$ 4,000	$ 120	$ 4,120	1	$ 4,123
Board members(d)	9	17,880	536	18,416	9	18,422
	10	21,880	656	22,536	10	22,545
President(e)	1.0	152,325	12,463	164,788	1.0	168,473
Vice President Corporate Services	1.0	118,649	12,240	130,889	1.0	126,012
Dean Student and Enrolment Services	-	-	-	-	0.9	92,877
Vice President Curriculum and Instruction	1.0	125,465	12,237	137,702	1.0	132,419
Team Leader Media and Computing	1.0	102,914	12,710	115,624	1.0	109,001
Director Physical Facilities	1.0	90,446	11,349	101,795	1.0	92,846
Directors/Managers (average: 2003 - $78,653, 2002 - $74,749)	41.0	2,786,790	437,966	3,224,756	39.0	2,915,229
Other salaried staff:						
Administration (average: 2003 - $54,475 2002 - $55,087)	21.7	1,012,583	169,529	1,182,112	21.7	1,195,379
Academic (average: 2003 - $68,053 2002 - $66,082)	210.3	12,458,180	1,853,439	14,311,619	206.7	13,659,241
Support (average: 2003 - $37,500 2002 - $35,451)	197.6	6,242,765	1,167,178	7,409,943	189.5	6,717,930
Non-salaried staff:(f)						
Administration	-	163,202	15,696	178,898	-	118,830
Academic	-	3,942,098	491,422	4,433,520	-	4,929,102
Support	-	1,689,141	254,609	1,943,750	-	1,862,784
	475.6	28,906,438	4,451,494	33,357,932	462.8	32,142,668
Other payroll adjustments:						
Severance payments(g)		569,770	31,044	600,814		43,583
Vacation accruals		48,431	3,426	51,857		102,083
Memberships and tuitions		-	(5,557)	(5,557)		(4,323)
Curriculum development costs in progress		-	-	-		(2,438)
Early Retirement Payments		64,692	-	64,692		-
Addition on capital projects		(54,104)	(4,887)	(58,991)		(51,117)
		$ 29,535,227	$ 4,475,520	$ 34,010,747		$ 32,230,456

Note 18 Salaries and Benefits (continued)

(a) Except for Board members, the number of individuals is expressed as full-time equivalents. The total actual discrete number of individual employees at June 30, 2003 was 2,110 (2002 – 2,253).

(b) Salary includes regular base pay, overtime, bonuses, shift differential, vacation pay, sick-time payments, honoraria and any other direct cash remuneration.

(c) Benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension plans, Employment Insurance, Workers' Compensation, health care, dental coverage, group life insurance, accidental disability and dismemberment, educational sabbaticals, vacation payouts, vehicle allowances, professional memberships and remission of tuition fees.

(d) Board members include one representative from each of the academic and support staff. This includes their stipends as Board members, while their salaries and benefits as full-time employees are included under other salaried staff.

(e) An executive compensation package includes an automobile provided to the President. The automobile is not included in the value of benefits disclosed on the schedule.

(f) Non-salaried staff comprise individuals who work less than 29 hours per week; benefits consist of contributions to Employment Insurance, Canada Pension Plan and Workers' Compensation. In addition, for continuing employees working more than 15 hours a week, benefits also include health care, dental coverage, group life insurance, accidental death and dismemberment and vacation payouts.

(g) Severance payments include all monies paid, directly or on behalf of an employee, upon termination. During the year, the College identified 18 redundant positions which resulted in severance payments made.

Note 19 Related Party Transactions

a) The College is a Provincial Corporation as all members of the Board of Governors are appointed by a combination of orders by the Lieutenant Governor in Council and the Minister of Alberta Learning. Transactions between the College and the Province are described in Notes 4, 8 and 14 to the consolidated financial statements.

b) The College accounts for funds of certain associations and clubs related to College activities through Funds Held on Behalf of Others (Note 20). Certain administrative services are provided without charge to these entities.

Note 19 Related Party Transactions (continued)

c) During the year, the College engaged the services of, and purchased goods from, organizations that are controlled or significantly influenced by members of its Board. Amounts of any such services were determined through fair and open competition in the normal course of operations. For the year ended June 30, 2003, the value of such services was $10,394 (2002 - $47,496).

d) During the year, the College engaged the services of, and purchased goods from, other Alberta post secondary education institutions. Amounts of any such services were determined through fair and open competition in the normal course of operations. For the year ended June 30, 2003, the value of such services purchased was $542,441 (2002 - $491,872) and the value of services provided was $61,182 (2002 - $59,028).

e) The College administers a program that permits advances to staff members for the specific purpose of acquiring and maintaining technological currency in computer hardware and software developments. Such advances are repaid over a maximum period of two years at the prescribed interest rate. The balance of advances outstanding as at June 30, 2003 was $39,562 (2002 - $45,044).

Note 20 Funds Held on Behalf of Others

Lethbridge Community College provides administrative services and administers funds on behalf of other organizations. These amounts are held in trust but are not included in the College's statement of financial position and are summarized as follows:

	2003	2002
Lethbridge Community College Students Association, clubs and activities	$ 601,247	$ 564,849
Chinook Educational Consortium	303,453	261,441
Associated agencies	113,721	99,587
Other agencies	55,810	126,981
Agricultural research projects	45,324	37,963
	$1,119,555	$1,090,821

Note 21 Commitments and Contingencies

a) The College leases facilities and equipment with lease terms up to four years. The minimum operating lease payments for each of the next four fiscal years are as follows:

2004	$ 226,896
2005	178,299
2006	143,093
2007	11,544

The above lease obligations include a three year lease for 377 desktop computers. The lease was entered into effective August 1, 2003, subsequent to yearend.

b) During the year, Lethbridge Community College undertook three major capital projects: an administrative technology infrastructure upgrade, the construction of a new aquaculture isolation building and completion of the new instructional building. As at June 30, 2003, the College had commitments in relation to contracts for these projects as follows:

	Contract	Expended (Note 6)	Commitments
Administrative Technology Infrastructure:			
Consulting	$5,588,811	$1,206,426	$ 4,382,385
Datatel	3,446,891	-	3,446,891
Technology systems	2,472,404	-	2,472,404
	11,508,106	1,206,426	10,301,680
Aquaculture Isolation Building:			
General Contractor	136,226	38,052	98,174
Instructional building:			
Building commitments	44,430	-	44,430
Total capital projects	$11,688,762	$ 1,244,478	$10,444,284

Note 21 Commitments and Contingencies (continued)

c) The College has been named a defendant in a legal action. In the opinion of management, this matter is without substantial merit and no provision for losses has been reflected in the accounts.

Note 22 Budget

The 2003 budget was approved by the Board of Governors on May 21, 2002 and submitted to the Minister of Alberta Learning on May 22, 2002.

Note 23 Pledges

As at June 30, 2003, outstanding pledges comprise the following:

Endowments	$ 169,650
Comprehensive fundraising campaign	623,593
Total	$ 793,243

These amounts have not been recognized as revenue in the financial statements. The pledges are expected to be collected over the next seven years as follows:

2004	$ 505,693
2005	198,600
2006	29,950
2007	29,000
2008	29,000
2009	500
2010	500
Total	$ 793,243

Note 24 Comparative Figures

Certain 2002 figures have been reclassified to conform to 2003 presentation.

Note 25 Approval of Consolidated Financial Statements

These consolidated financial statements have been approved by the Board of Governors.

MEDICINE HAT COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2003

Auditor's Report

Consolidated Statement of Financial Position

Consolidated Statement of Operations

Consolidated Statement of Changes in Net Assets

Consolidated Statement of Cash Flows

Notes to the Consolidated Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Governors of Medicine Hat College

I have audited the consolidated statement of financial position of the Medicine Hat College as at June 30, 2003 and the consolidated statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
September 12, 2003

MEDICINE HAT COLLEGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2003

	2003	2002
ASSETS		
Current:		
Cash and short-term investments (Note 3)	$ 4,919,000	$ 4,524,189
Accounts receivable	933,928	830,035
Inventories	280,821	267,655
Prepaid expenses	97,873	88,816
	6,231,622	5,710,695
Investments (Note 3)	7,575,326	17,168,977
Capital assets (Note 4)	36,961,530	28,015,037
	44,536,856	45,184,014
	$ 50,768,478	$ 50,894,709
LIABILITIES AND NET ASSETS		
Current:		
Accounts payable and accrued liabilities	$ 1,169,632	$ 747,464
Accrued vacation pay	560,648	494,057
Unearned revenue (Note 5)	505,225	600,900
Deferred contributions (Note 6)	747,505	2,164,078
Current portion of long term debt (Note 7)	74,777	70,378
	3,057,787	4,076,877
Construction payables	273,491	2,059,882
Deferred capital contributions (Note 6)	2,954,797	8,215,190
Long term debt (Note 7)	3,854,845	3,929,622
Unamortized deferred capital contributions (Note 8)	25,744,303	19,225,583
	32,827,436	33,430,277
Net Assets:		
Unrestricted	2,498,612	1,615,111
Internally restricted (Note 9)	2,545,000	3,094,263
Invested in capital assets (Note 10)	7,287,605	6,186,126
	12,331,217	10,895,500
Endowments	2,552,038	2,492,055
	14,883,255	13,387,555
	$ 50,768,478	$ 50,894,709

The accompanying notes are part of these financial statements.

MEDICINE HAT COLLEGE

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED JUNE 30, 2003

	2003		2002
	Budget (Note 19)	Actual	Actual
Revenue:			
Grants (Note 6)	$ 15,936,700	$ 16,623,003	$ 15,510,011
Tuition and related fees	9,433,400	8,668,962	8,037,143
Donations (Note 6)	141,400	208,171	226,778
Investments (Note 13)	300,000	530,888	544,665
Sales, rentals and services	3,219,600	3,109,591	2,345,755
Amortization of deferred capital contributions	1,101,000	848,670	1,263,829
	30,132,100	29,989,285	27,928,181
Expense: (Note 14)			
Salaries and benefits (Note 17)	18,950,400	18,412,775	17,169,929
Supplies and services	6,522,400	6,056,687	6,034,128
Utilities	663,900	746,988	564,399
Scholarships and bursaries	200,000	361,746	291,720
Cost of goods sold	1,182,900	1,028,215	983,523
Interest on long term debt	274,000	249,279	41,096
Amortization of capital assets	2,386,000	1,915,878	2,169,096
	30,179,600	28,771,568	27,253,891
Excess (deficiency) of revenue over expense before under-noted item	$ (47,500)	$ 1,217,717	$ 674,290
Gain on disposal of land	-	218,000	-
Excess (deficiency) of revenue over expense	$ (47,500)	$ 1,435,717	$ 674,290

MEDICINE HAT COLLEGE

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2003

	2003					2002
	Unrestricted	Internally Restricted	Invested in Capital Assets	Endowments	Total	Total
Excess of revenue over expense	$ 1,435,717	-	-	-	1,435,717	$ 674,290
Transfers for:						
Acquisition of capital assets	(2,105,309)	-	2,105,309	-	-	-
Amortization of capital assets	1,067,208	-	(1,067,208)	-	-	-
Disposal of land	7,000	-	(7,000)	-	-	-
Repayment of long term debt	(70,378)		70,378			
Internal restrictions - net	549,263	(549,263)	-	-	-	-
Endowment contributions	-	-	-	59,983	59,983	293,816
Increase (decrease) in Net Assets	883,501	(549,263)	1,101,479	59,983	1,495,700	968,106
Net Assets, beginning of year	1,615,111	3,094,263	6,186,126	2,492,055	13,387,555	12,419,449
Net Assets, end of year	$ 2,498,612	2,545,000	7,287,605	2,552,038	14,883,255	$ 13,387,555

MEDICINE HAT COLLEGE
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2003

	2003		2002
	Budget	Actual	Actual
Operating activities:			
Excess of revenue over expense	$ (47,500)	$ 1,435,717	$ 674,290
Non-cash transactions:			
Amortization of capital assets	2,386,000	1,915,878	2,169,096
Amortization of deferred capital contributions	(1,101,000)	(848,670)	(1,263,829)
Gain on disposal of land	-	(218,000)	-
	1,237,500	2,284,925	1,579,557
Net changes in non-cash working capital (Note 18)	72,000	(1,149,605)	1,036,779
Cash generated through operating activities	1,309,500	1,135,320	2,616,336
Investing activities:			
Acquisition of capital assets	(10,717,100)	(10,869,371)	(8,090,309)
Proceeds from the sale of capital assets	-	225,000	1,106
Redemption (purchase) of long-term investments	2,780,490	9,593,651	(269,917)
Cash used in investing activities	(7,936,610)	(1,050,720)	(8,359,120)
Financing activities:			
Capital contributions	67,000	7,367,390	4,475,673
Deferred capital contributions	750,000	(5,260,393)	(2,165,300)
Construction payables	-	(1,786,391)	2,015,317
Proceeds from long term debt	4,000,000	-	4,000,000
Repayment of long term debt	(65,000)	(70,378)	-
Endowment contributions	200,000	59,983	293,816
Cash generated through financing activities	4,952,000	310,211	8,619,506
Increase (decrease) in cash and short-term investments	(1,675,110)	394,811	2,876,722
Cash and short-term investments, beginning of year	2,331,491	4,524,189	1,647,467
Cash and short-term investments, end of year	$ 656,381	$ 4,919,000	$ 4,524,189

MEDICINE HAT COLLEGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2003

ote 1 Authority and Purpose

Medicine Hat College (the "College") operates under the authority of the Colleges Act, Revised Statutes of Alberta 2000, Chapter C-19. The College is exempt from payment of Income Tax under section 149 of the Income Tax Act.

The College provides broadly based educational and training programs and services to students and local communities.

ote 2 Summary of Significant Accounting Policies and Reporting Practices

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates, which may vary from actual results. The following accounting policies and reporting practices are considered significant.

(a) Consolidated Statements

These consolidated financial statements include the accounts of the Medicine Hat College Foundation, which operates under part 9 of the Companies Act of Alberta, for the support and advancement of the College. The Foundation is a registered charity and is exempt from payment of income tax.

(b) Revenue Recognition

Unrestricted contributions are recognized in the period they are receivable.

Amounts received for tuition fees, and sale of goods and services are recognized as revenue at the time the goods are delivered or the services are provided.

Externally restricted non-capital contributions are deferred and are recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for purposes designated by the contributor.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(b) Revenue Recognition (continued)

Externally restricted capital contributions are recorded as deferred capital contributions until the amount is invested in capital assets. Amounts invested representing funded capital assets are then transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are taken into income, as amortization of deferred capital contributions, in the periods that the related funded capital asset is amortized.

Externally restricted contributions containing stipulations that the amounts should be retained as net assets, or that the contributions should not be expended, are recorded as direct increases in net assets. Such stipulations would include contributions made for endowment purposes or to be used to acquire non-amortizable property.

Contributions of materials and services that would otherwise have been purchased are recorded at fair market value when a fair market value can be reasonably determined.

Revenue from long-term education contracts is determined on the percentage of completion method. Provisions are made for all anticipated losses as soon as they become evident.

(c) Net Assets Internally Restricted

Net assets internally restricted represent amounts set aside by the College Board of Governors to be used for designated purposes.

(d) Investments

Investments are recorded at cost or amortized cost. Gains and losses on investments are recognized at liquidation of securities, or when there is an other than temporary decline in the value of an investment. Amortization of discount or premium is on a straight-line basis over the life of the investment.

(e) Inventories

Inventories held for resale are valued at the lower of cost or net realizable value, with cost determined on a first-in-first-out basis.

(f) Capital Assets

Land transferred to the College from the City of Medicine Hat, and donated land, are recorded at fair market value at the date of transfer.

Note 2 **Summary of Significant Accounting Policies and Reporting Practices** (continued)

(f) Capital Assets (continued)

Buildings and renovations are recorded at June 30, 1989 amortized replacement cost as determined by an independent appraisal, with subsequent additions at cost.

Site improvements are recorded at January 1, 1983 replacement cost as determined by an independent appraisal, with subsequent additions at cost.

Furnishings and equipment are recorded at cost except for items acquired prior to July 1, 1984, which are recorded at estimated cost as determined by the College. Donated assets are recorded at fair market value at the time of donation.

Library acquisitions are recorded at cost and are comprised of books, audiovisual software and periodicals.

Amortization is recorded on a straight-line basis over the assets' useful lives, which are as follows:

Buildings and renovations	40 years
Site improvements	25 years
Furniture and equipment	5 to 25 years
Library acquisitions	10 years
Systems planning and development	10 years

(g) Future Employee Benefits

The College participates in the Local Authorities Pension Plan (LAPP). This pension plan is a multi-employer defined benefit plan that provides pensions for the College's participating employees, based upon years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the LAPP pension plan. The College's portion of the pension plan's deficit or surplus is not recorded by the College.

(h) Financial Instruments

The carrying value of financial assets and financial liabilities are considered to approximate fair value unless otherwise disclosed.

Note 3 Cash and Investments

	2003				2002	
	Cash and Short-term Investments	Long-term Investment	Total Cost	Market Value	Total Cost	Market Value
Cash on hand	$ 7,600	$ -	$ 7,600	$ 7,600	$ 6,650	$ 6,650
Bank balances	656,214	142,874	799,088	799,088	1,979,953	1,979,953
Term deposits	4,179,186	420,814	4,600,000	4,600,000	13,038,771	13,038,771
Bonds	-	5,829,016	5,829,016	6,276,946	5,571,018	5,750,543
Canadian equities	76,000	825,237	901,237	1,045,577	717,028	895,245
Foreign equities	-	357,385	357,385	361,829	379,746	372,821
	$ 4,919,000	$ 7,575,326	$ 12,494,326	$ 13,091,040	$ 21,693,166	$ 22,043,983

The Board of Governors has an approved investment policy. The investment objectives are the preservation of capital, stability and predictability of returns, and the maximization of return on investment. The approved policy restricts the type and amount of investments that may be purchased or held.

Funds determined to be short-term in nature are invested by College management. These investments must be issued by or fully secured by a Chartered Bank of Canada, the Treasury Branch of Alberta, an Alberta Credit Union backed by the Province of Alberta, the Federal Government, or any provincial government of Canada.

Securities acquired by management are further limited to cash equivalent securities rated “R1” or “A1” or higher, and fixed income securities “A (low)” or higher by Standard & Poor’s or the Dominion Bond Rating Service.

Funds determined to be long-term in nature are invested by an external investment manager appointed by the Board of Governors. Limitations on cash equivalent securities are the same as those imposed on management as specified in the preceding paragraph. Corporate fixed income securities may not exceed 30% of the market value of funds being invested by the external manager, and any single corporate fixed income holding may not exceed 5% of the total value of corporate fixed income holdings. The external manager may also acquire equities when the market value of common stock exceeds $600,000,000 for a corporation. Equities may not exceed 20% of the market value of funds being invested by the external manager, and any single equity investment may not exceed 5% of the total value of all equity holdings.

The effective annual rate of interest for fixed income investments owned by the College at June 30 was 5.92% (2002 - 6.01%) using a weighted average calculation. All non-cash investments except Canadian and foreign equities held at June 30, 2003 have fixed maturity dates. Securities classified as cash and short-term investments will mature in less than one year. Securities classified as investments have maturity dates ranging from 1 to 46 years (2002 - 1 to 47 years), and a weighted average maturity of 9.2 years (2002 - 8.4 years).

ote 4 Capital Assets

During the year donated gifts-in-kind of furniture and equipment valued at $18,905 (2002 - $27,000) were capitalized.

	2003			2002
	Cost & Appraised Value	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 1,553,000	$ -	$ 1,553,000	$ 1,560,000
Buildings and renovations	50,742,041	21,264,700	29,477,341	14,996,906
Site Improvements	7,285,093	6,709,248	575,845	393,493
Furniture and equipment	11,183,749	7,317,132	3,866,617	2,898,156
Library acquisitions	3,738,960	2,869,926	869,034	846,928
Systems planning and development	321,294	126,068	195,226	227,764
Construction in progress	424,467	-	424,467	7,091,790
	$ 75,248,604	$ 38,287,074	$ 36,961,530	$ 28,015,037

ote 5 Unearned Revenue

	2003	2002
Tuition and related fees	$ 499,575	$ 591,900
Other	5,650	9,000
	$ 505,225	$ 600,900

Note 6 Deferred Contributions and Deferred Capital Contributions

Deferred contributions represent amounts received that have not been spent and are externally restricted. The balance will be recognized as revenue in future periods.

	2003	2002
Contributions received and receivable:		
Grants	$ 16,582,177	$ 18,413,648
Donations	865,949	609,991
Investment income on contributions	234,392	400,441
	17,682,518	19,424,080
Transferred to revenue:		
Grants	(16,623,003)	(15,510,011)
Donations	(208,171)	(226,778)
Investments	(100,937)	(110,787)
	(16,932,111)	(15,847,576)
Transferred to:		
Endowments	(59,983)	(293,816)
Unamortized deferred capital contributions	(7,367,390)	(4,475,673)
	(7,427,373)	(4,769,489)
Increase (decrease) during the year	(6,676,966)	(1,192,985)
Deferred Contributions and Deferred Capital Contributions, beginning of year	10,379,268	11,572,253
Deferred Contributions and Deferred Capital Contributions, end of year	$ 3,702,302	$ 10,379,268
The balance consists of funds restricted for:		
Deferred Contributions:		
Scholarships	$ 314,472	$ 366,694
Other	433,033	1,797,384
	747,505	2,164,078
Deferred Capital Contributions:		
Infrastructure	2,954,797	8,215,190
Deferred Contributions and Deferred Capital Contributions, end of year	$ 3,702,302	$ 10,379,268

Note 7 Long Term Debt

Pursuant to a security agreement entered into with the Alberta Municipal Financing Corporation (now operating as the Alberta Capital Financing Authority) on May 1, 2002, the College borrowed the sum of $4,000,000. The funds were used to finance the construction of new student housing at both the Medicine Hat and Brooks campuses. The borrowing of these funds was approved through an "Order In Council" by the Lieutenant Governor on February 6, 2002.

The debenture bears interest at 6.25% per annum, it is to be repaid in twenty-five (25) consecutive annual installments of $320,378, principal and interest, commencing May 1, 2003 and maturing on May 1, 2027. The debenture is secured by a security interest in certain specific personal property.

	2003	2002
Debenture Payable		
Current Portion	$ 74,777	$ 70,378
Non-current Portion	3,854,845	3,929,622
	$ 3,929,622	$ 4,000,000

Principal payments due during the next five fiscal years are as follows:

2003 - 2004	$ 74,777
2004 - 2005	79,451
2005 - 2006	84,416
2006 - 2007	89,692
2007 - 2008	95,298
Thereafter	3,505,988
	$ 3,929,622

ote 8 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the external funding of capital assets, which will be recognized in revenue, as amortization of deferred capital contributions, in future periods as the related funded assets are amortized.

	2003	2002
Balance, beginning of year	$ 19,225,583	$ 16,013,739
Add amount transferred from deferred capital contributions	7,367,390	4,475,673
Less amount amortized to revenue	(848,670)	(1,263,829)
Balance, end of year	$ 25,744,303	$ 19,225,583

Note 9 Net Assets Internally Restricted

Internally restricted net assets represent amounts set aside by the College Board of Governors to be used for the following purposes. These amounts are not available for other purposes without the approval of the board.

	2003	2002
Operating:		
Working Capital	$ 750,000	$ -
Outstanding commitments	-	89,086
	750,000	89,086
Capital:		
Campus Renewal & Expansion	895,000	2,150,000
Computers and Technology	300,000	287,000
Ancillary Services - Student Residence and related parking	500,000	468,177
Ancillary Services - Parking	100,000	100,000
	1,795,000	3,005,177
	$ 2,545,000	$ 3,094,263

Note 10 Net Assets Invested in Capital Assets

	2003	2002
Investment in capital assets	$ 36,961,530	$ 28,015,037
Outstanding capital financing	(3,929,622)	(2.603,328)
Unamortized deferred capital contributions	(25,744,303)	(19,225,583)
	$ 7,287,605	$ 6,186,126

Note 11 Ancillary Services

	2003			2002
	Revenue	Expense	Net	Net
Bookstore	$ 1,427,949	$ 1,205,446	$ 222,503	$ 167.112
Cafeteria	58,867	698	58,169	48,015
Student residence	975,117	804,408	170,709	58,741
Parking	109.384	1,278	108,106	59,758
	$ 2,571,317	$ 2,011,830	$ 559,487	$ 333,626

Expense includes direct costs only.

Note 12 Related Parties

All members of the Medicine Hat College Board of Governors are appointed by a combination of orders by the Lieutenant Governor in Council and the Minister of Learning.

Transactions in the current period between the College and the Province were as follows:

	2003			2002
	Received and Receivable	Deferred Contributions and UDCC [(1)]	Revenue	Revenue
Grants from Related Parties				
Alberta Learning	$ 15,503,621	$ (12,792)	$ 15,516,413	$ 14,502,804
Alberta Infrastructure	-	-	-	25,000
Other Alberta Government Departments	923,399	(22,542)	945,941	738,939
	16,427,020	(35,334)	16,462,354	15,266,743
Grants Other Sources	155,157	(5,492)	160,649	243,268
Total Grants	$ 16,582,177	$ (40,826)	$ 16,623,003	$ 15,510,011

(1) UDCC refers to Unamortized Deferred Capital Contributions.

During the year, the College conducted business transactions with other public colleges and universities. The revenues and expenses incurred for these courses have been included in the consolidated statement of operations, but have not been separately quantified. These transactions were entered into on the same business terms as with non-related parties and are recorded at fair value.

Note 13 Investment Income

	2003	2002
Investment earnings on resources held for endowment	$ 100,937	$ 110,787
Other restricted investment income	133,455	289,654
Investment income on other sources	429,951	433,878
	664,343	834,319
Less - investment income deferred	133,455	289,654
Total investment income recognized as revenue	$ 530,888	$ 544,665

Note 14 Expense by Function

	2003	2002
Instruction	$ 14,012,132	$ 13,217,933
Academic support	2,013,405	2,187,204
Student services	2,765,774	2,729,913
Institutional support	2,449,961	2,285,505
Facility operations & maintenance	2,570,871	2,208,441
Ancillary services	2,011,830	1,679,165
Computing services	1,031,717	776,634
Amortization of capital assets	1,915,878	2,169,096
	$ 28,771,568	$ 27,253,891

Instruction encompasses all formal educational and instructional program elements. Academic support includes all activities that directly support the educational and instructional elements such as academic administration, library and audiovisual services. Student services include all activities or services to the student body of the institution. Institutional support includes all activities that provide institution wide support to other programs.

Note 15 Pension Costs

The pension expense recorded in these financial statements is equivalent to the College's annual contributions payable of $ 646,400 for the year ended June 30, 2003 (2002 - $ 537,012).

At December 31, 2002, the Local Authorities Pension Plan reported a deficit of $ 444,980,000 (2001 – surplus of $ 634,960,000).

Note 16 Funds Held on Behalf of Others

The College holds certain funds on behalf of others over which the Board has no power of appropriation. Accordingly, these funds are not included in the consolidated financial statements. At June 30, the respective funds held on behalf of others were as follows:

	2003	2002
Further Education Council	$ 76,571	$ 79,773
Students' Association	218,164	219,284
Interpretive Centre - Police Point Park	-	(14,895)
Other	37,598	43,493
	$ 332,333	$ 327,655

Note 17 Salaries and Benefits

The Treasury Board's Salary and Benefits Disclosure Directive requires the College to disclose certain salaries and benefits. Those salaries and benefits are as follows:

	Salaries and Wages[1]	Benefits[2]	Total	Total
Chairman of Board	$ 2,400	$ 272	$ 2,672	$ 6,123
Board (10 members)	20,625	644	21,269	16,917
President	146,000	18,948	164,948	154,048
Vice-President Academic	106,543	13,256	119,799	112,113
Vice President, Student and College Services	104,009	14,396	118,405	112,171
Dean, Arts	84,512	14,378	98,890	95,409
Dean, Health Studies	84,512	13,752	98,264	96,470

[1] Salaries include regular base pay, and any bonuses, overtime or lump sum payments where applicable.

[2] Benefits include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental, group life insurance, employment insurance, vacation payouts and remission of tuition fees.

Note 18 Changes in Non-Cash Working Capital

	2003	2002
Accounts receivable	$ (103,893)	$ (30,719)
Inventories	(13,166)	14,174
Prepaid expenses	(9,057)	27,977
Accounts payable and accrued liabilities	422,168	(9,370)
Accrued vacation pay	66,591	40,150
Unearned revenue	(95,675)	22,252
Deferred contributions	(1,416,573)	972,315
	$ (1,149,605)	$ 1,036,779

Note 19 Budget

The original budget was approved by the College's Board of Governors at their regular meeting on March 19, 2002.

Note 20 Approval of Financial Statements

These financial statements were approved by the Board of Governors.

Note 21 Commitment – Campus Expansion Project

During the year the college completed the majority of work on the two residence projects and the new B building (Multi-purpose/Library building). As at year-end the College was involved with the renovation work in the center core, the new entrance and the remedial work in the parking lot of the Cultural Centre.

In relation to the above projects, as at June 30, 2003, the College had contractual commitments of $2,401,364 (2002 - $ 8,345,342). This amount has not been recorded in the financial statements.

Note 22 Comparative Figures

Certain June 30, 2002 figures have been reclassified to conform to the current year presentation.

MOUNT ROYAL COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2003

Auditor's Report

Consolidated Statement of Financial Position

Consolidated Statement of Operations

Consolidated Statement of Changes in Net Assets

Consolidated Statement of Cash Flows

Notes to the Consolidated Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Governors of Mount Royal College

I have audited the consolidated statement of financial position of the Mount Royal College as at June 30, 2003 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
October 17, 2003

MOUNT ROYAL COLLEGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2003

	2003	2002 (restated, Note 22)
ASSETS		
Current:		
Cash and short-term investments (Note 3)	$ 30,954,620	$ 35,028,278
Accounts receivable	5,390,178	3,076,979
Inventories (Note 4)	847,519	707,456
Prepaid expenses	626,526	640,702
	37,818,843	39,453,415
Investments (Note 3)	44,470,983	71,262,638
Capital assets (Note 5)	177,137,370	119,507,344
	$ 259,427,196	$ 230,223,397
LIABILITIES AND NET ASSETS		
Current:		
Accounts payable and accrued liabilities	$ 6,881,464	$ 4,033,405
Deferred revenues	3,197,666	3,114,421
Accrued vacation pay	4,704,480	4,060,298
Deferred contributions (Note 6)	6,134,970	12,628,461
Current portion of long-term liabilities (Note 8)	927,898	263,065
Employee leave and retirement allowances	77,817	125,256
	21,924,295	24,224,906
Construction payables	7,827,373	8,508,544
Unamortized deferred capital contributions (Note 9)	132,016,912	106,414,007
Long term deferred contributions (Note 6)	4,710,281	4,576,587
Deferred capital contributions (Note 7)	20,118,177	49,635,663
Long term liabilities (Note 8)	32,738,760	460,546
Long term employee leave and retirement allowances	989,811	799,394
	220,325,609	194,619,647
Net assets:		
Unrestricted	2,001,955	2,564,878
Internally restricted (Note 11)	8,611,549	9,188,563
Investment in capital assets	14,209,984	12,369,726
Endowments (Note 10)	14,278,099	11,480,583
	39,101,587	35,603,750
	$ 259,427,196	$ 230,223,397

The accompanying notes are part of these financial statements.

MOUNT ROYAL COLLEGE
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2003

	2003	2002
		(restated, Note 22)
Revenue:		
Grants	$ 48,994,135	$ 43,997,357
Tuition and related fees	26,497,876	23,283,261
Community programs	16,453,902	15,701,652
Sales, rentals and services	13,172,464	11,470,097
Investment income (Note 12)	1,345,834	2,276,709
Donations and contributions	1,008,037	1,927,590
Earned capital contributions (Note 9)	6,353,121	3,384,913
	113,825,369	102,041,579
Expense (Note 15):		
Salaries and benefits (Note 16)	72,740,380	63,855,839
Supplies and services	20,634,783	21,273,684
Cost of goods sold	5,112,107	4,690,395
Utilities	4,978,823	2,866,499
Scholarships and bursaries	643,237	646,018
Amortization and loss on disposal of capital assets	8,877,689	5,770,677
Loss on write down of investments	387,595	357,807
	113,374,614	99,460,919
Excess of revenue over expense	$ 450,755	$ 2,580,660

MOUNT ROYAL COLLEGE
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2003

	2003						2002
	Unrestricted Net Assets	Internally Restricted Net Assets	Investment in Capital Assets	Total Operating Net Assets	Endowments	Total	(restated, Note 22) Total
		(Note 11)					
Excess of revenue over expense	$ 450,755	$ -	$ -	$ 450,755	$ -	$ 450,755	$ 2,580,660
Transfer to internally restricted	(1,769,066)	1,769,066	-	-	-	-	-
Internally funded:							
Acquisition of capital assets	(1,453,131)	(2,346,080)	3,799,211	-	-	-	-
Payments on capital leases	(331,050)	-	331,050	-	-	-	-
Amortization and loss on disposal of capital assets	2,539,569	-	(2,539,569)	-	-	-	-
Contributions to endowments	-	-	-	-	2,797,516	2,797,516	1,938,725
Acquisition of land	-	-	249,566	249,566	-	249,566	2,951,091
Increase (decrease) in net assets	(562,923)	(577,014)	1,840,258	700,321	2,797,516	3,497,837	7,470,476
Balance, beginning of year	2,564,878	9,188,563	12,369,726	24,123,167	11,480,583	35,603,750	28,133,274
Balance, end of year	$ 2,001,955	$ 8,611,549	$ 14,209,984	$ 24,823,488	$ 14,278,099	$ 39,101,587	$ 35,603,750

MOUNT ROYAL COLLEGE
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2003

	2003	2002 (restated, Note 22)
Operating Activities:		
Excess of revenue over expense	$ 450,755	$ 2,580,660
Non-cash transactions:		
Amortization and loss on disposal of capital assets	8,877,689	5,770,677
Earned capital contributions (Note 9)	(6,353,121)	(3,384,913)
Loss on write down of investments	387,595	357,807
	3,362,918	5,324,231
Net changes in non-cash working capital (Note 14)	(5,404,530)	3,714,954
Cash (used for) generated from operating activities	(2,041,612)	9,039,185
Investing Activities:		
Acquisition of capital assets:		
From internal funds	(3,799,211)	(4,208,102)
From long-term liabilities	(30,517,912)	(198,040)
From capital contributions	(32,205,592)	(52,291,879)
Proceeds from disposal of capital assets	15,000	-
Disposal of investments, net	26,404,060	21,536,609
Increase (decrease) in long-term deferred contributions	133,694	(375,893)
Cash used for investing activities	(39,969,961)	(35,537,305)
Financing Activities:		
(Decrease) increase in construction payables	(681,171)	6,446,506
Payable to the Government of Alberta	-	(17,400,000)
Increase in long-term employee leave and retirement allowances	190,417	132,204
Proceeds from long-term liabilities	33,274,097	198,040
Repayments of long-term liabilities	(331,050)	(280,929)
Contributions to endowments	2,797,516	1,938,725
Capital contributions	2,688,106	28,605,590
Cash generated from financing activities	37,937,915	19,640,136
Decrease in cash and short-term investments	(4,073,658)	(6,857,984)
Cash and short-term investments, beginning of year	35,028,278	41,886,262
Cash and short-term investments, end of year	$ 30,954,620	$ 35,028,278

MOUNT ROYAL COLLEGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2003

Note 1 Authority

Mount Royal College (the "College") operates under the authority of the Colleges Act, Chapter C-19, Revised Statutes of Alberta 2000. The College's mission is to foster the success and satisfaction of students in the pursuit of their educational goals. The College is a registered charity and is, under Section 149 of the Income Tax Act, exempt from payment of income tax. The tax exemption does not extend to its wholly owned subsidiary, Rockyview Aviation Fuels Ltd.

Note 2 Significant Accounting Policies and Reporting Practices

(a) General

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates, which may vary from actual results. The following accounting policies and reporting practices are considered significant.

(b) Consolidated Statements

The financial statements are prepared on a consolidated basis and include the amounts of the following entities:

(i) The Mount Royal College Foundation incorporated under part of the Companies Act of Alberta on March 26, 1991,

(ii) The Mount Royal College Day Care Society, incorporated under the Societies Act of Alberta,

(iii) and, Rockyview Aviation Fuels Ltd., operating under the Business Corporation Act (Alberta). The College did not receive approval for the incorporation of this wholly owned subsidiary as required under the *Financial Administration Act.* Effective June 30, 2003, the College wound up Rockyview Aviation Fuels Ltd.

(c) Revenue Recognition

Operating grants, including those from the Province of Alberta, are recognized as revenue in the period receivable. If a portion of a grant relates to a future period, that portion is deferred and recognized in the subsequent period.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

Capital grants, including those from the Province of Alberta, are recorded as deferred contributions until they are invested in capital assets. Amounts invested, representing funded capital assets and contributions of property, are then transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as earned capital contributions revenue in the period when the related amortization expense of the funded capital asset is recorded. The related portion of amortization expense and the deferred/earned capital contributions revenue are matched to indicate that the related amortization expense has been funded and the capital contribution earned.

Unrestricted cash donations are recognized as revenue in the period received. Donations of goods and services, which would otherwise have been purchased by the College, are recorded at fair value when a fair value can be reasonably determined.

Externally restricted non-capital contributions are deferred and then recognized as revenue in the period when the related expense is incurred. Externally restricted contributions can only be used for the designated purposes. Externally restricted contributions containing stipulations that they should be retained as net assets or that they should not be expended are recorded as a direct increase in net assets. Such contributions include contributions made for endowment purposes or to be used to acquire non-amortizable property.

Tuition fees and sales of goods and services are deferred and then recognized as revenue in the period when the services are provided or the goods are sold. Revenue from contracts is recognized using the percentage of completion method and is recognized within community programs revenue.

(d) Inventories

Inventory values are based upon the average cost method and presented at the lower of cost or net realizable value.

(e) Short-term Investments

Short-term investments are recorded at the lower of cost and market value.

(f) Investments

Investments are recorded at cost. Gains and losses on investments are recognized when an investment is sold or when there is an other than temporary impairment in the value of an investment.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(g) Financial Instruments

The carrying value of cash, receivables, payables, deferred revenues and accruals approximate their fair value due to the relatively short periods to maturity of the instruments. The fair value of investments is market value. The market value of publicly traded investments is based on quoted market prices.

The carrying value of financial assets and financial liabilities are considered fair value unless otherwise disclosed.

(h) Capital Assets

Capital assets are recorded at cost. Donated assets are recorded at fair value. Capital assets under construction are not amortized until construction is completed and the assets are ready for productive use.

Capital assets are amortized on a straight-line basis as follows:

Site improvements	20 - 40 years
Buildings	25 - 40 years
Leasehold improvements	7 years
Furnishings and equipment	3 - 10 years
Computer equipment	3 - 5 years

Library acquisitions are amortized on a declining balance basis at a rate of 10%.

Construction in progress includes direct construction costs, architectural, engineering and interest on related debt. Interest costs are capitalized until the asset is substantially complete.

(i) Employee Future Benefits

The College participates in the Local Authorities Pension Plan. This pension plan is a multi-employer defined benefit pension plan that provides pensions for the College's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the pension plan. The College's portion of the pension plan's deficit or surplus is not recorded by the College.

Note 3 Cash and Investments

	2003		2002	
	Cost	Market	Cost	Market
			(restated – Note 22)	
Cash and cash equivalents	$ 16,955,635	$ 16,959,296	$ 19,034,610	$ 19,036,521
Capital Investment Annuities	16,531,833	16,531,833	45,114,176	45,114,176
Federal, Provincial and Municipal Bonds	13,574,030	14,427,490	13,731,529	13,943,882
Corporate Bonds	6,198,592	6,600,580	6,703,318	6,809,084
Equities - Canadian	12,973,208	15,496,978	11,758,727	14,628,556
Equities - International	9,192,305	7,806,499	9,948,556	9,249,751
	75,425,603	$ 77,822,676	106,290,916	$ 108,781,970
Held as long-term investments	44,470,983		71,262,638	
Held as cash and short-term investments	$ 30,954,620		$ 35,028,278	

The College's investment policy is to hold all bonds until their maturities. Within the investment portfolio, there are individual equities that are recorded in excess of their market value. The carrying value of these equities has not been written down to market value because management has concluded, based on a review of market information, that there is no obvious indication of a material impairment that is other than temporary.

The amount held as long-term investments represents funds not available for current operations and includes endowments, deferred contributions externally restricted for capital or specific purposes, and net assets internally restricted for capital purposes, as outlined below.

	2003	2002
		(restated - Note 22)
Endowments (Note 10)	$ 14,278,099	$ 11,480,583
Long-term deferred contributions (Note 6)	4,710,281	4,576,587
Deferred capital contributions (Note 7)	20,118,177	49,635,663
Internally restricted net assets, capital (Note 11)	5,364,426	5,569,805
	$ 44,470,983	$ 71,262,638

Note 3 Cash and Investments (continued)

The overall rate of return on cash and investments for the year was 2.0% (2002: 3.8%). The cash and cash equivalents and bond funds maturities and effective yields are as follows:

	2003								2002	
	Less than 1 year	Effective Yield	1 to 5 Years	Effective Yield	Over 5 Years	Effective Yield	Total	Effective Yield	Total	Effective Yield
									(restated - Note 22)	
Cash and cash equivalents	$16,955,635	3.29%	$ -		$ -		$16,955,635	3.29%	$19,034,610	3.61%
Capital Investment Annuity (a)	11,227,207	2.77%					11,227,207	2.77%	-	
Capital Investment Annuity (a)	5,265,152	4.54%	39,474	4.54%			5,304,626	4.54%	45,114,176	4.54%
Federal, Provincial and Municipal Bonds			4,990,722	6.52%	8,583,308	5.27%	13,574,030	5.54%	13,731,529	5.79%
Corporate Bonds			3,053,217	6.62%	3,145,375	5.73%	6,198,592	6.04%	6,703,318	6.51%
	$33,447,994		$8,083,413		$11,728,683		$53,260,090		$84,583,633	

Note 3 Cash and Investments (continued)

The College Board of Governors (the "Board") has approved an investment policy. The primary investment objectives are the preservation of capital and the generation of a competitive total return.

The Board provides guidelines on asset mix, diversification, quality and nature of securities, and term of the fixed income. The current guidelines are as follows:

(a) Asset Mix

Cash equivalents	From 0% to 15% of total portfolio
Fixed income	From 30% to 70% of total portfolio
Equities	From 20% to 60% of total portfolio

At June 30, 2003 the College held two capital investment annuities of $5,265,152 and $11,227,207, respectively. These investments provide for a guaranteed return of 4.54% over a three year term and 2.77% over a 15 month term respectively, and also provide guaranteed cash flows based upon preset repayment terms. These investments were approved by the Board of Governors as a secure investment vehicle to support the cash flow requirements of the College's campus expansion projects.

To measure investment performance and identify the return attributed to the asset mix and asset selection decisions, the College has established a portfolio benchmark of 5% cash equivalents, 50% fixed income, and 45% equities. Further, it measures cash equivalent returns against the return from 90 day treasury bills, fixed income returns against the return for the Scotia Capital Universe Bond Index, and equity returns against the return for the TSE 300 Index.

(b) Diversification – No more than 10% of the total portfolio may be invested in any one money market issuer other than investments guaranteed by the Government of Canada or the Province of Alberta. No more than 10% of the portfolio may be invested in any one government bond issue other than the Government of Canada or the Province of Alberta. A maximum of 5% of the portfolio may be invested in any one corporate bond issue. A maximum of 5% of the equity component may be invested in any one equity issue.

(c) Quality and Nature of Securities – All money market securities are rated "R1" or "A1" or higher by the Canadian Bond Rating Service or the Dominion Bond Rating Service. All corporate bonds are rated "BBB mid" or higher at the time of purchase. Provincial bonds are rated "BBB mid" or higher by a recognized bond rating service.

(d) Terms of the Fixed Income Portfolio – The portfolio is "laddered" with bonds having an average term to maturity that is within plus or minus 50% of the average term of the Scotia Capital Universe Bond Index.

Note 4 Inventories

	2003	2002
Bookstore	$ 804,435	$ 628,857
Recreation	6,972	-
Printing	23,621	24,639
Smart Card	9,877	51,430
Food services	2,614	2,530
	$ 847,519	$ 707,456

Note 5 Capital Assets

	2003			2002
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
				(restated - Note 22)
Land	$ 6,814,913	$ -	$ 6,814,913	$ 6,565,347
Site Improvements	10,393,980	438,891	9,955,089	-
Buildings	137,508,848	42,310,497	95,198,351	51,964,722
Furnishings and equipment	40,704,925	26,063,608	14,641,317	8,758,028
Library acquisitions	2,969,039	1,296,530	1,672,509	1,470,564
Leasehold improvements	289,151	286,708	2,443	3,456
Construction in progress	48,852,748	-	48,852,748	50,745,227
	$ 247,533,604	$ 70,396,234	$ 177,137,370	$ 119,507,344

Capital assets include assets under capital leases with a cost of $1,653,957 and accumulated amortization of $1,176,136 (2002: $1,684,638 and $968,271 respectively).

Note 6 Deferred Contributions

Deferred contributions are restricted contributions, which have been received but relate to expenses of future periods.

	2003	2002 (restated-Note 22)
Contributions received during the year:		
Grants	$ 632,376	$ 9,325,715
Net donations, other contributions and investment income	1,372,158	1,397,775
Transferred from deferred capital contributions (Note 7)	-	24,703
Transferred to revenue:		
Grants	(5,763,055)	(3,833,060)
Investment income (Note 12)	(103,061)	(520,861)
Donations and contributions	(983,670)	(964,172)
Transferred to unamortized deferred capital contributions (Note 9)	(1,514,545)	(2,747,040)
(Decrease) increase during the year	(6,359,797)	2,683,060
Balance, beginning of year	17,205,048	14,521,988
Balance, end of year	$ 10,845,251	$ 17,205,048

Unspent amounts at the end of the year are restricted for the following purposes:

	2003	2002
Current:		
Program support and scholarships	$ 2,947,857	$ 2,795,929
Conditionally funded programs	376,704	4,800,843
Maintenance and repairs	2,810,409	5,031,689
	6,134,970	12,628,461
Long-term:		
Special purpose program funding	4,710,281	4,576,587
	$ 10,845,251	$ 17,205,048

Note 7 Deferred Capital Contributions

	2003	2002 (restated – Note 22)
Contributions received during the year:		
Grants	$ -	$ 19,400,000
Restricted investment income (Note 12)	1,173,561	3,283,253
Donations and other contributions	-	3,200,000
	1,173,561	25,883,253
Transferred to deferred contributions (Note 6)	-	(24,703)
Transferred to investment in capital assets		-
-land acquisition	(249,566)	(2,951,091)
Transferred to unamortized deferred capital contributions (Note 9)	(30,441,481)	(46,593,748)
Decrease during the year	(29,517,486)	(23,686,289)
Balance, beginning of year	49,635,663	73,321,952
Balance, end of year	$ 20,118,177	$ 49,635,663

The balance at the end of year is restricted for the following purposes:

Campus expansion	$ 20,118,177	$ 49,635,663

Note 8 Long-term Liabilities

	2003	2002
Construction financing for student residence (a)	$ 33,100,000	$ -
Capital lease obligations (b)	566,658	723,611
	33,666,658	723,611
Less: current portion	927,898	263,065
	$ 32,738,760	$ 460,546

The minimum annual payments for each of the five succeeding fiscal years are as follows:

Residence Debenture (a)	
2004	$ 592,764
2005	629,071
2006	667,601
2007	708,492
2008	751,887
	$ 3,349,815
Capital Leases (b)	
2004	$ 335,134
2005	196,175
2006	29,994
2007	5,355
	$ 566,658

(a) Pursuant to a loan agreement entered into on August 14, 2002, the College borrowed the sum of $33.1 million to finance the construction of a new student residence. The loan bears interest at 6.125% per annum and matures August 15, 2027. Security pledged for the loan includes all future cash flows generated through the operation of the new student residence. During the year debenture interest expense of $ 1,766,316 has been included in construction in progress.

(b) the imputed interest rate payable on these leases averages 11.3% (2002:10.9%). During the year, interest expense of $74,105 (2002: $85,310) has been included in supplies and services expense.

Note 9 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions are the funded portion of capital assets, which will be recognized as revenue in future periods.

	2003	2002 (restated – Note 22)
Transferred from deferred contributions (Note 6)	$ 1,514,545	$ 2,747,040
Transferred from deferred capital contributions (Note 7)	30,441,481	46,593,748
Earned and transferred to revenue	(6,353,121)	(3,384,913)
Increase during the year	25,602,905	45,955,875
Balance, beginning of year	106,414,007	60,458,132
Balance, end of year	$ 132,016,912	$ 106,414,007

Note 10 Endowments

	2003	2002 (restated – Note 22)
External endowments	$ 14,078,957	$ 11,281,441
Internal endowments	199,142	199,142
	$ 14,278,099	$ 11,480,583

Endowments consist of restricted donations to the College as well as internal allocations by the Board, the principal of which is required to be maintained intact in perpetuity. The investment income generated from endowments must be used in accordance with the various purposes established by the donors or the Board.

Note 11 Internally Restricted Net Assets

The Board has committed operating net assets as follows:

	2003	2002
Operations:		
Academic program development	$ 893,547	$ 1,136,798
Campus and information systems development	234,252	410,737
College effectiveness	59,853	69,731
Community needs	33,819	27,543
Early retirement	65,123	65,123
Professional development	160,365	155,906
Scholarships and bursaries	361,392	370,647
Research and special projects	1,271,937	1,191,127
Student success/satisfaction	166,835	191,146
	3,247,123	3,618,758
Capital:		
Capital renewal	871,537	1,100,000
Instructional equipment	286,091	524,954
Residence	2,760,500	2,781,669
Parking	1,446,298	1,163,182
	5,364,426	5,569,805
Total	$ 8,611,549	$ 9,188,563

Note 12 Investment Income

	2003	2002 (restated – Note 22)
Investment income from restricted balances	$ 1,179,415	$ 3,053,847
Investment income from endowments	293,397	305,724
	1,472,812	3,359,571
Transfer to deferred capital contributions (Note 7)	(1,173,561)	(3,283,253)
Net transferred (to) from deferreds	(196,190)	444,543
Investment income from restricted sources (Note 6)	103,061	520,861
Investment income from unrestricted sources	1,242,773	1,755,848
Investment income	$ 1,345,834	$ 2,276,709

Note 13 Employee Future Benefits

The pension expense recorded in these financial statements is equivalent to the College's annual contributions payable of $ 2,450,706 for the year ended June 30, 2003 (2002: $2,088,931).

At December 31, 2002, the Local Authorities Pension Plan reported a deficiency of $444,980,000 compared to a surplus of $634,960,000 at December 31, 2001.

The College has supplementary pension plans for its Senior Executives. The College informed the Minister of Learning in fiscal 2000/2001 of its intentions to create supplementary pension plans for the College's Senior Executives. The College is working with the Ministry to obtain legislative confirmation and/or approval of these plans.

Note 14 Net Changes in Non-Cash Working Capital

	2003	2002 (restated – Note 22)
Current:		
Increase in accounts receivable	$ (2,313,199)	$ (952,410)
Increase in inventories	(140,063)	(38,398)
Decrease in prepaid expenses	14,176	31,852
Increase in accounts payable and accrued liabilities	2,848,059	1,413,272
Increase (decrease) in deferred revenues	83,245	(30,410)
Increase in accrued vacation pay	644,182	525,194
(Decrease) increase in deferred contributions	(6,493,491)	2,879,408
Decrease in employee leave and retirement allowances	(47,439)	(113,554)
	$ (5,404,530)	$ 3,714,954

Note 15 Expenses by Function

	2003	2002 (restated – Note 22)
Instruction	$ 47,901,406	$ 43,557,484
Academic support	7,886,102	8,260,149
Student services	9,953,956	7,626,496
Institutional support	9,898,913	8,289,246
Facility operations and maintenance	14,885,062	13,789,022
Ancillary services	7,794,694	6,906,380
Computing services	5,789,197	4,903,658
Amortization and loss on disposal of capital assets	8,877,689	5,770,677
Loss on write down of investments	387,595	357,807
	$ 113,374,614	$ 99,460,919

Note 16 Salaries and Benefits

This note complies with the requirements of the Alberta Provincial Treasury Board Salary and Benefits Disclosure Directive dated December 16, 1998 as applied to the College. The information is generally comparable from year to year. However, due to the specifics of the requirements and the particulars of the College's organization, the information may not be comparable to that of another organization.

	2003		
	Salaries (1)	Benefits (2)	Total
Chairman	$ 5,760	$ 39	$ 5,799
Board Members	17,540	589	18,129
	23,300	628	23,928
President(3,4,5)	189,000	152,729	341,729
Vice-President Academic(4)	136,123	48,652	184,775
Vice-President Administrative Services (4,6)	106,878	20,672	127,550
Vice-President Student Affairs and Campus Life(4)	125,194	35,450	160,644
Executive Director Public Affairs and Development(4)	113,539	30,610	144,149
	670,734	288,113	958,847
	$ 694,034	$ 288,741	$ 982,775

Note 16 Salaries and Benefits (continued)

	2002		
	Salaries(1)	Benefits(2)	Total
Chairman	$ 6,240	$ 29	$ 6,269
Board Members	17,180	549	17,729
	23,420	578	23,998
President(3,4)	180,861	59,425	240,286
Vice-President Academic(4)	128,418	35,161	163,579
Vice-President Administrative Services (4)	116,471	29,173	145,644
Vice-President Student Affairs and Campus Life(4)	115,847	64,343	180,190
Executive Director Public Affairs and Development(4)	101,837	21,599	123,436
Director Human Resources	101,837	11,672	113,509
	745,271	221,373	966,644
	$ 768,691	$ 221,951	$ 990,642

(1) Salaries include base pay, bonuses, overtime, lump sum payments, honoraria, research grants and any other direct cash remuneration.

(2) Benefits include the employer's share of all employee benefits and contributions or payments made on behalf of employees including vacation pay-outs, Canada Pension Plan contributions, Employment Insurance, long and short term disability plans, sabbaticals or other special leaves with pay, car allowances and club memberships.

(3) The President has a place on the Board for which he receives no remuneration.

(4) The President's, Vice-Presidents', and Executive Director Public Affairs and Development benefits include leave and retirement plan amounts earned, but not paid, in the year which, for the President represents 89% of total benefits in 2003 (71% in 2002), for the Vice-President Academic 60% in 2003 (51% in 2002), for the Vice-President Administrative Services 10% in 2003 (37% in 2002), for the Vice-President Student Affairs and Campus Life 33% in 2003 (73% in 2002), and for the Executive Director Public Affairs and Development 32% in 2003 (39% in 2002). The College provides a vehicle to the President the value of which is not included in benefits. The Vice-President Academic, the Vice-President Administrative Services and the Vice-President Student Affairs and Campus Life and the Executive Director Public Affairs and Development all receive a car allowance, the value of which is included in benefits.

(5) The President's benefits for 2003 included post retirement benefits identified and accrued this fiscal year. The President retired from his position in August 2003.

(6) The values reported for the Vice-President Administrative Services includes amounts paid to two separate individuals. The past Vice-President Administrative Services vacated the position in August 2002 and was replaced by an Acting Vice-President Administrative Services.

Note 17 Related Party Transactions

The College is a Provincial Corporation as all the members of the Board are appointed either by statute or by a combination of orders by the Lieutenant Governor in Council and the Minister of Alberta Learning. Transactions between the College and the Province are disclosed as follows:

	2003		2002	
	Current Year Contributions	Current Year Contributions to Deferred Contributions or to Unamortized Deferred Capital Contributions	Current Year Contributions	Current Year Contributions to Deferred Contributions or to Unamortized Deferred Capital Contributions
			(restated – Note 22)	
Operating grant	$ 37,261,324	$ -	$ 38,510,665	$ 3,500,000
ACCESS funding - programs	5,814,528	7,808	4,117,424	3,024
ACCESS funding - one-time	-	-	2,535,000	2,006,311
Infrastructure renewal envelope	-	-	4,800,000	4,800,000
Calgary Conjoint Nursing Program	370,083	-	800,207	800,207
Inmate Education Program	211,007	-	246,726	30,933
Literacy - Peer Learning Program	20,975	15,825	-	-
Alternative Delivery of Chemistry	90,682	21,377	-	-
International Education Development	1,920	-	-	-
Daycare & Related Program Grants	98,102	5,148	72,924	4,346
Total	$ 43,868,621	$ 50,158	$ 51,082,946	$ 11,144,821

During the year, the College conducted business transactions with other public colleges and universities. The revenues and expenses incurred for these business transactions have been included in the statement of operations, but have not been separately quantified. These transactions were entered into on the same business terms as with non-related parties and are recorded at these fair value amounts.

At June 30, 2003 the College has receivables from the Province of Alberta of $341,534 (2002: $691,601), and payables to the Province of Alberta of $492,921 (2002: $403,485).

Note 18 Commitments

(a) The College leases facilities within Calgary with lease terms of up to five years. These leases expire within the next one to five years. The minimum operating lease payments for each of the five succeeding fiscal years are as follows:

2004	$ 1,493,173
2005	$ 1,130,388
2006	$ 200,000
2007	$ 200,000
2008	$ 200,000

(b) As at June 30, 2003 the College has commitments of $4,302,636 (2002: $28,553,729) for capital and expansion projects.

(c) In order to manage its exposure to the volatility in the electrical industry, the Board of Governors has entered into a five year contract, expiring on December 31, 2005, to fix its electrical cost at 11.2 cents per kilowatt hour for peak hours, and 5.51 cents for off peak hours. Based on management's estimate, the annual costs for the year ending June 30, 2004 are expected to be approximately $2.9 million.

Note 19 Pledges

The estimated realizable value of pledges at June 30, 2003 is $7,996,924 (2002: $2,104,985). These pledges are expected to be honoured over the next nine years and are not recorded as assets in these financial statements.

Note 20 Budget

The College is required to submit annually a budget/business plan, approved by the Board, to the Minister of Alberta Learning for approval. The budget/business plan for fiscal year 2002/2003 was approved by the Board on May 27, 2002 and submitted to the Minister thereafter.

A revision to the approved budget plan to reflect more accurate information for revenue and expense was reviewed and approved by the Board on June 2, 2003. The revised budget is as follows:

		Budget
Revenue:		
	Grants	$ 46,924,012
	Tuition and related fees	25,658,524
	Community programs	14,073,053
	Sales, rentals and services	12,180,560
	Investment income	2,021,921
	Donations and contributions	1,095,273
	Earned capital contributions	5,000,000
		$ 106,953,343
Expense:		
	Salaries and benefits	$ 70,781,345
	Supplies and services	19,372,923
	Cost of goods sold	3,737,464
	Utilities	4,351,060
	Scholarships and bursaries	521,100
	Amortization	6,000,800
		$ 104,764,692

Note 21 Comparative Figures

Certain 2002 figures have been reclassified to conform to the current year presentation.

Note 22 Change in Accounting Policy and Correction of Error

During the year, the College changed the way it accounts for its not-for-profit controlled entities and subsidiaries. The College now consolidates the Mount Royal College Foundation and the Mount Royal College Day Care Society. In prior years, the financial position and results of operations of these entities were disclosed separately in the financial statements as related party transactions.

During the year, the College determined that an investment's value had been overstated in the prior year. As a result, investments and deferred capital contributions were overstated on the Statement of Financial Position by $507,837.

The change in accounting policy and the correction of the overstatement of the investment have been applied retroactively. The effect on prior period amounts is as follows:

	2002		
Consolidated Statement of Financial Position	As Previously Reported	Adjustment	As Restated
Cash and short-term investments	$ 33,604,519	$ 1,423,759	$ 35,028,278
Accounts receivable	$ 3,253,245	$ (176,266)	$ 3,076,979
Prepaid expenses	$ 640,510	$ 192	$ 640,702
Investments	$ 71,749,391	$ (486,753)	$ 71,262,638
Capital assets	$ 119,474,768	$ 32,576	$ 119,507,344
Accounts payable and accrued liability	$ 4,010,199	$ 23,206	$ 4,033,405
Deferred revenues	$ 3,110,723	$ 3,698	$ 3,114,421
Accrued vacation pay	$ 4,035,293	$ 25,005	$ 4,060,298
Deferred contributions	$ 11,834,600	$ 793,861	$ 12,628,461
Deferred capital contributions	$ 50,143,500	$ (507,837)	$ 49,635,663
Unamortized deferred capital contributions	$ 106,389,070	$ 24,937	$ 106,414,007
Unrestricted net assets	$ 2,162,963	$ 401,915	$ 2,564,878
Investment in capital assets	$ 12,362,087	$ 7,639	$ 12,369,726
Endowments	$ 11,459,499	$ 21,084	$ 11,480,583
Consolidated Statement of Revenue and Expense			
Grants	$ 43,925,851	$ 71,506	$ 43,997,357
Sales, rentals and services	$ 10,956,544	$ 513,553	$ 11,470,097
Investment income	$ 1,965,565	$ 311,144	$ 2,276,709
Donations and contributions	$ 1,110,960	$ 816,630	$ 1,927,590
Salaries and benefits	$ 62,732,487	$ 1,123,352	$ 63,855,839
Supplies and services	$ 21,053,369	$ 220,315	$ 21,273,684
Amortization and loss on disposal of capital assets	$ 5,761,853	$ 8,824	$ 5,770,677
Excess of revenue over expense	$ 2,214,334	$ 366,326	$ 2,580,660
Consolidated Statement of Cash Flows			
Operating activities	$ 6,523,939	$ 2,515,246	$ 9,039,185
Investing activities	$ (36,143,796)	$ 606,491	$ (35,537,305)
Financing activities	$ 20,145,216	$ (505,080)	$ 19,640,136
Decrease in cash and short-term investments	$ (9,474,641)	$ 2,616,657	$ (6,857,984)

Note 23 Approval of Financial Statements

The Board of Governors has approved these financial statements.

ROCKYVIEW AVIATION FUELS LTD.

Financial Statements

For the year ended June 30, 2003

Auditor's Report

Financial Statements:

- Balance Sheet
- Statement of Loss and Deficit
- Notes to Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Shareholder of Rockyview Aviation Fuels Ltd.

I have audited the balance sheet of Rockyview Aviation Fuels Ltd. as at June 30, 2003 and the statements of Statements of loss and deficit for the year then ended. These financial statements are the responsibility of the Rockyview Aviation Fuels Ltd's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Rockyview Aviation Fuels Ltd. as at June 30, 2003 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

I also report that the Company was incorporated without the appropriate legislative authority. Under the *Financial Administration Act,* the Lieutenant Governor on Council must give approval before a Provincial corporation can be incorporated.

Fred J. Dunn FCA
Auditor General

Edmonton, Alberta
October 21, 2003

Rockyview Aviation Fuels Ltd.

Balance Sheet

As at June 30, 2003

	2003	2002
Assets		
Current Assets		
Cash	$ -	$ 840
Accounts receivable	-	798
Prepaid expenses	-	885
	-	2,523
Capital Assets (note 3)	-	147,641
	$ -	$ 150,164
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	$ -	$ 7,571
Current portion of long term debt (note 4)	-	2,686
	-	10,257
Due to Shareholder	-	2,069
Long Term Debt (note 4)	-	147,314
	-	159,640
Shareholder's Deficiency		
Share Capital (note 5)	-	10
Deficit	-	(9,486)
	-	(9,476)
	$ -	$ 150,164

The accompanying notes are part of these financial statements.

Approved by the Director:

Duane Anderson, Director

Rockyview Aviation Fuels Ltd.

Statement of Loss and Deficit

For the Year Ended June 30, 2003

(with comparative figures for the period January 17, 2002 to June 30, 2002)

	2003	2002
Sales	$ 153,982	$ 60,829
Cost of sales	134,818	49,824
Gross profit	19,164	11,005
Expenses		
Accounting and legal	930	1,227
Bad debts	684	178
Insurance	847	1,578
Interest and bank charges	395	140
Interest on long term debt	9,188	4,128
Management fees	4,945	2,837
Office	131	1,262
Repairs and maintenance	1,092	454
Telephone	1,005	428
Amortization	-	8,398
	19,217	20,630
Loss from operations	(53)	(9,625)
Interest income	-	139
Net loss	(53)	(9,486)
Deficit, beginning of year	(9,486)	-
	(9,539)	(9,486)
Contribution from shareholder (note 7)	9,539	-
Deficit, end of year	$ -	$ (9,486)

Rockyview Aviation Fuels Ltd.

Notes to Financial Statements

June 30, 2003

(with comparative figures for the period January 17, 2002 to June 30, 2002)

1. Nature of Operations

The Company was incorporated on December 19, 2001 under the Business Corporations Act (Alberta) as a wholly-owned subsidiary of Mount Royal College. The Company commenced operations on January 17, 2002 and its principal business activity was the retail sale of aviation fuel. The Company was dissolved on June 30, 2003.

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. The accounting policies of significance to the Company are as follows:

(a) Revenue recognition

Revenue is recognized when product is received by the customer.

(b) Capital assets

Capital assets are recorded at cost. Assets are amortized on a straight-line basis over their estimated useful lives as follows:

Building	20 years
Computer hardware	3 years
Computer software	3 years
Equipment	20 years

Amortization is charged at the full annual rate in the year of acquisition of an asset and no amortization is charged in the year of disposal.

(c) Income taxes

Income taxes are recorded on a tax allocation basis. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized for the estimated income tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective income tax bases. Future income tax assets and liabilities are recognized using enacted income rates. The effect of changes in effective income tax rates is recognized in income in the period in which the change occurs. Future income tax assets are recognized with respect to deductible temporary differences and loss carryforwards only to the extent their realization is considered more likely than not.

(d) Financial instruments

The Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values.

(e) Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may vary from the current estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

3. Capital Assets

	2003			2002
	Cost	**Accumulated Amortization**	**Net Book Value**	**Net Book Value**
Building	$ -	$ -	$ -	$ 2,438
Computer hardware	-	-	-	781
Computer software	-	-	-	620
Equipment	-	-	-	143,802
	$ -	$ -	$ -	$ 147,641

4. Long Term Debt

	2003	**2002**
Loan from shareholder, bearing interest at 6.125% repayable in blended annual payments of $11,874 beginning in 2003 (interest payment only in 2002). The loan matures on June 30, 2027 and is secured by a general security agreement covering the assets of the corporation.	$ 150,000	$ 150,000
Loan from shareholder, exchanged for capital assets during the year (note 7)	(150,000)	-
Less: Portion due within one year	-	(2,686)
	$ -	$ 147,314

5. Share Capital

Authorized

Unlimited	Class A common voting shares
Unlimited	Class B common voting shares
Unlimited	Class C common voting shares
Unlimited	Class D common voting shares

	2003	2002
Issued		
100 Class A shares	$ -	$ 10

6. Related Party Transactions

The Company had the following transactions with Mount Royal College during the period:

	2003	2002
Sales	$ 145,897	$ 58,181
Interest charged on long term debt	$ 9,188	$ 4,128
Management fees for administrative support	$ 4,945	$ 2,837

Transactions with Mount Royal College are entered into on the same business terms as with non-related parties and are recorded at these fair value amounts.

7. Wind Up of Operations

On dissolution, the remaining capital assets of $147,641 were transferred to the shareholder and applied against the loan of $150,000 from the shareholder.

The unpaid portion of the loan and the Due to Shareholder balance totalling $9,539 was forgiven by the shareholder and recorded as a contribution.

8. Statement of Cash Flows

A statement of cash flows is not provided as disclosure in these financial statements is considered to be adequate.

NORQUEST COLLEGE

FINANCIAL STATEMENTS

June 30, 2003

Auditor's Report

Statement of Financial Position

Statement of Operations

Statement of Changes in Net Assets

Statement of Cash Flow

Notes to the Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Governors of NorQuest College

I have audited the statement of financial position of NorQuest College as at June 30, 2003 and the statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred Dunn FCA
Auditor General

Edmonton, Alberta
October 10, 2003

NORQUEST COLLEGE
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2003

	2003	2002
ASSETS		
Current:		
Cash and investments (Note 3)	$ 8,498,555	$ 6,264,187
Accounts receivable	1,373,805	1,223,664
Inventories	217,858	153,383
Prepaid expenses	312,926	197,884
	10,403,144	7,839,118
Non-current cash and investments (Note 3)	5,687,976	6,576,242
Capital assets (Note 4)	20,900,781	20,791,106
	$ 36,991,901	$ 35,206,466
LIABILITIES AND NET ASSETS		
Current:		
Accounts payable and accrued liabilities	$ 2,008,706	$ 1,675,083
Accrued vacation pay	2,471,067	2,236,190
Unearned revenue (Note 5)	948,856	827,020
Deferred contributions (Note 6)	686,083	849,038
	6,114,712	5,587,331
Deferred capital contributions (Note 7)	414,563	1,481,643
Unamortized deferred capital contributions (Note 9)	15,514,937	15,901,295
	22,044,212	22,970,269
Net Assets:		
Unrestricted	1,381,655	516,719
Internally restricted (Note 10)	7,813,514	6,512,667
Invested in capital assets	5,385,842	4,889,811
	14,581,011	11,919,197
Endowments (Note 11)	366,678	317,000
	14,947,689	12,236,197
	$ 36,991,901	$ 35,206,466

The accompanying notes are an integral part of these financial statements.

NORQUEST COLLEGE
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2003

	2003		2002
	Budget (Note 19)	Actual	Actual
Revenue:			
Grants and other provincial government contributions (Note 12)	$ 18,727,019	$ 19,755,362	$ 18,324,263
Tuition and related fees	8,082,939	8,488,610	7,451,719
Contract programs and services	4,249,534	4,609,285	3,941,241
Other sales, services and rental income	1,634,090	2,248,068	1,881,800
Amortization of deferred capital contributions (Note 9)	1,000,000	1,021,138	1,056,496
Interest income (Note 14)	375,000	586,705	444,227
Donations and contributions	-	91,895	53,242
	34,068,582	36,801,063	33,152,988
Expense (Note 15):			
Salaries, wages and benefits (Note 16)	24,562,602	24,362,433	22,943,826
Supplies and services	1,701,829	2,031,562	2,038,021
Amortization net of gain/loss on disposal	1,800,000	1,758,000	1,577,270
Leases and rentals	1,130,503	1,166,943	1,033,558
Repairs and maintenance	884,500	983,237	821,843
Purchases for resale	530,600	807,522	689,491
Contracted services	791,829	1,301,403	670,039
Marketing	460,239	547,063	532,723
Utilities	619,600	624,361	417,086
Telecommunications	285,714	294,780	312,136
Professional development	321,200	205,092	184,826
Scholarships and bursaries	-	56,853	44,961
	33,088,616	34,139,249	31,265,780
Excess of revenue over expense	$ 979,966	$ 2,661,814	$ 1,887,208

NORQUEST COLLEGE
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2003

	2003					2002
	Unrestricted	Internally Restricted	Invested in Capital Assets	Endowments	Total	Total
Excess of revenue over expense	$ 2,661,814	$ -	$ -	$ -	$ 2,661,814	$ 1,887,208
Endowment contributions	-	-	-	49,678	49,678	-
Transfers for:						
Acquisition of internally funded capital assets	(1,237,381)	-	1,237,381	-	-	-
Net book value of capital assets disposed	49,633	-	(49,633)	-	-	-
Amortization of internally funded capital assets	691,717	-	(691,717)	-	-	-
Board appropriations (Note 10)	(1,925,604)	1,925,604	-	-	-	-
Amount expended (Note 10)	624,757	(624,757)	-	-	-	-
Increase in net assets	864,936	1,300,847	496,031	49,678	2,711,492	1,887,208
Net assets, beginning of year	516,719	6,512,667	4,889,811	317,000	12,236,197	10,348,989
Net assets, end of year	$ 1,381,655	$ 7,813,514	$ 5,385,842	$ 366,678	$ 14,947,689	$ 12,236,197

NORQUEST COLLEGE
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2003

	2003	2002
Cash generated from (used by):		
Operating activities:		
Excess of revenue over expense	$ 2,661,814	$ 1,887,208
Non-cash transactions:		
Amortization of capital assets	1,791,200	1,575,429
Amortization of deferred capital contributions (Note 9)	(1,021,138)	(1,056,496)
Loss (Gain) on disposal of capital assets	(33,200)	1,841
	3,398,676	2,407,982
Changes in working capital:		
Accounts receivable	(150,141)	136,457
Inventories	(64,475)	(32,524)
Prepaid expenses	(115,042)	(74,926)
Accounts payable and accrued liabilities	333,623	476,256
Accrued vacation pay	234,877	212,594
Unearned revenue	121,836	90,726
Deferred contributions	(162,955)	(422,756)
	197,723	385,827
Cash provided by operating activities	3,596,399	2,793,809
Investing activities:		
Proceeds on disposal of capital assets	4,487	4,866
(Increase) Decrease in non-current cash and investments - net	888,266	(2,659,643)
Acquisition of capital assets - internally funded	(1,237,381)	(917,643)
Acquisition of capital assets - externally funded	(634,781)	(1,406,237)
Cash applied to investing activities	(979,409)	(4,978,657)
Financing activities:		
Capital contributions received (Note 7)	98,399	2,841,522
Capital contributions used for operating (Note 7)	(533,508)	-
Endowment contributions	49,678	-
Donated equipment	2,809	9,830
Cash (applied to) generated from financing activities	(382,622)	2,851,352
Increase in cash	2,234,368	666,504
Cash and investments at beginning of year	6,264,187	5,597,683
Cash and investments at end of year	$ 8,498,555	$ 6,264,187

NORQUEST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2003

Note 1 Authority and Purpose

NorQuest College (the "College") was established as a public vocational college on May 14, 1997 by the Lieutenant Governor in Council under the authority of the Colleges Act, Chapter C-19, Revised Statutes of Alberta 2000C, as amended. On August 25, 1999 the Lieutenant Governor in Council approved the name change of Alberta Vocational College – Edmonton to NorQuest College.

Serving primarily communities in central Alberta, the College provides instruction and training to assist adult learners through academic upgrading programs; career entry training in business, health, trades, technical and service industries; and English as a second language programs. The College maintains a special interest in providing programs and services to aboriginal communities.

Note 2 Significant Accounting Policies and Reporting Practices

(a) Revenue Recognition

(i) Unrestricted Contributions

Unrestricted operating grants and contributions are recognized as revenue in the period when receivable.

(ii) Restricted Contributions

Externally restricted grants and contributions received primarily for non capital purposes are deferred and recognized as revenue in the period when related expenses are incurred.

Externally restricted contributions received primarily for capital purposes are recorded as deferred capital contributions until the amount is invested in capital assets. Amounts invested representing externally funded capital assets are then transferred to Unamortized Deferred Capital Contributions. Unamortized Deferred Capital Contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded.

Restricted contributions for the purchase of capital assets which will not be amortized are recorded as direct increases in Invested in Capital Assets.

Externally restricted contributions for endowment purposes are not recognized as revenue, but are recorded as direct increases in net assets.

(iii) Investment Income

Unrestricted investment income is recognized in the year it is earned. Investment income subject to external restrictions is deferred and recognized as revenue in the period the related expenses are incurred.

(iv) Donations

Donations and contributions in kind are recorded at fair value.

(v) Program Delivery

Revenue from tuition fees, education contract programs and sale of goods and services is recognized as revenue in the period in which the goods are delivered or the services are provided.

Revenue from long-term education contracts is determined using the percentage of completion method. Provision is made for all anticipated losses as soon as they become evident.

(b) Inventories

Inventories for resale are valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

(c) Capital Assets

Capital assets are recorded at cost, except donated assets, which are recorded at fair value.

Capital assets are amortized on a straight-line basis over the following estimated average useful lives:

Buildings, site and leasehold improvements	10 - 40 years
Furniture, equipment and vehicles	10 years
Library collection	10 years
Curriculum	10 years
Computer hardware	5 years
Computer software	5 years
Rental books	5 years

(d) Employee Future Benefits

The College participates in the Public Service Pension Plan and the Management Employees Pension Plan. These pension plans are multi-employer defined benefit pension plans, that provide pensions for the College's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the cost of employer contributions, for its employees during the year, based on rates which are expected to provide for benefits payable under the respective pension plan. The College's portion of the pension plans' deficit or surplus is not recorded by the College.

(e) Full Cost

The College accounts for all significant costs and revenues related to the services it delivers. The fair value of services provided by the Alberta Government is recorded, with a corresponding amount in grants and other provincial government contributions. This consists of an estimate of the fair value of buildings which are leased by the College at a discounted or nominal cost, an estimate of the fair value of internet services, and an estimate of the fair value of courier services.

(f) Financial Instruments

The carrying value of cash, receivables, payables and accruals approximate their fair values due to the relatively short periods of maturity of the instruments.

Note 3 Cash and Investments (current and non-current)

	2003		2002	
	Book Value	Market Value	Book Value	Market Value
a) Cash - operating	$ 1,747,871	$ 1,747,871	$ 853,892	$ 853,892
Cash - investment fund	2,570,127	2,570,127	569,947	569,947
Total cash	4,317,998	4,317,998	1,423,839	1,423,839
Canada Treasury Bills	-	-	1,488,165	1,491,390
Government of Canada bonds	5,131,156	5,499,689	5,181,425	5,230,765
Provincial bonds	4,737,377	4,929,783	4,747,000	4,783,331
Total investments	9,868,533	10,429,472	11,416,590	11,505,486
Total cash and investments	14,186,531	$ 14,747,470	12,840,429	$ 12,929,325
Less non-current portion	(5,687,976)		(6,576,242)	
Cash and investments - current	$ 8,498,555		$ 6,264,187	

Investments by range of maturity date are as follows:

	2003		
	Book Value	Market Value	Effective Yield to Maturity
Maturity less than one year	$ 2,992,563	$ 3,032,864	4.28%
Maturity 1 - 5 years, bonds	2,968,028	3,128,340	5.03%
Maturity 5 - 10 years, bonds	3,907,942	4,268,268	5.53%
	$ 9,868,533	$10,429,472	

The market value of investments may fluctuate with changes in current interest rates. Market values may decrease if interest rates increase and may increase if interest rates decrease.

Term to maturity of investments is based upon the contractual maturity of the security.

b) Non-current cash and investments comprise:

	2003	2002
Internally restricted for capital purposes	$ 4,906,735	$ 4,777,599
Externally restricted for capital purposes	414,563	1,481,643
Endowments	366,678	317,000
	$ 5,687,976	$ 6,576,242

Note 4 Capital Assets

	2003			2002
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 2,540,000	$ -	$ 2,540,000	$ 2,540,000
Buildings, site and leasehold improvements	16,140,348	1,678,284	14,462,064	14,513,128
Computer hardware	3,811,743	2,006,869	1,804,874	1,589,818
Computer software	1,480,983	778,717	702,266	811,185
Rental books	759,777	538,044	221,733	220,510
Furniture, equipment and vehicles	1,030,275	359,698	670,577	649,716
Library collection	701,008	375,485	325,523	336,313
Curriculum	193,550	19,806	173,744	130,436
	$ 26,657,684	$ 5,756,903	$ 20,900,781	$ 20,791,106

Software includes licence fees and direct costs dedicated to the Agresso financial systems development project.

Note 5 Unearned Revenue

	2003	2002
Tuition fees	$ 917,200	$ 809,186
Contract programs	19,964	9,166
Ancillary services and other	11,692	8,668
	$ 948,856	$ 827,020

Note 6 Deferred Contributions

	2003	2002
Restricted donations and contributions received during the year:		
Conditional grants	$ 3,540,119	$ 3,472,593
Donations and contributions	98,523	97,913
Interest income (Note 14)	16,714	10,207
	3,655,356	3,580,713
Transferred to revenue:		
Conditional grants, Alberta Learning (Note 12)	(2,248,506)	(2,160,566)
Conditional grants, Government of Canada (Note 12)	(1,323,729)	(1,458,430)
Conditional grants, other (Note 12)	(3,000)	(5,327)
Donations and contributions	(84,126)	(53,242)
Interest income (Note 14)	(10,873)	(11,632)
	(3,670,234)	(3,689,197)
Transferred to deferred capital contributions (Note 7)	(98,399)	(314,272)
Transferred to endowments	(49,678)	-
	(148,077)	(314,272)
Decrease during the year	(162,955)	(422,756)
Balance at beginning of year	849,038	1,271,794
Balance at end of year	$ 686,083	$ 849,038
The balance consists of funds restricted for:		
Health careers expansion	$ 566,528	$ 692,290
Scholarships and bursaries	119,555	148,996
Practical nursing curriculum	-	4,752
Personal Support Aide Conference	-	3,000
	$ 686,083	$ 849,038

Note 7 **Deferred Capital Contributions**

	2003	2002
Conditional grants:		
Alberta Infrastructure	$ -	$ 2,259,000
Alberta Learning	-	216,000
Edmonton Community Lottery Board	-	52,250
Transferred from deferred contributions (Note 6)	98,399	314,272
	98,399	2,841,522
Transferred to grant revenue:		
Alberta Infrastructure (Note 12)	(468,469)	-
Alberta Learning (Note 12)	(65,039)	-
Transferred to unamortized deferred capital contributions (Note 9)	(631,971)	(1,396,407)
	(1,067,080)	1,445,115
Balance at beginning of year	1,481,643	36,528
Balance at end of year	$ 414,563	$ 1,481,643

The balance consists of funds restricted for:

	2003	2002
Alberta Infrastructure - Facilities renewal	$ 263,602	$ 1,047,698
Alberta Learning - Health Careers expansion	150,961	216,000
Alberta Infrastructure - Health Careers expansion	-	202,945
Alberta Infrastructure - Feasibility study	-	15,000
	$ 414,563	$ 1,481,643

Note 8 **Employee Future Benefits**

At July 1, 2002, the College established a self-insured long term disability plan for its term employees. Employee and employer contributions are based on a percentage of the monthly salary of each term employee. This percentage is reviewed each year in conjunction with a review of the actual benefits paid out during the year. Employee and employer contributions for the year ended June 30, 2003 were $21,298 and $46,797, respectively. Funds disbursed included $4,907 for claims and $3,852 for administration costs, leaving plan assets of $59,336.

The total accrued benefit obligation at June 30, 2003 is $36,393. This is comprised of an open and reported claims liability estimate of $29,477, determined based on a gross monthly benefit and no other discounts for interest, CPP offsets, death or recovery, and a further liability of $6,915 estimated for incurred but not reported claims (established based on 75% of annual paid claims). The expense recognized for the period was $23,854.

The plan surplus is $22,943. The plan assets are included in the College's cash and investments and the accrued benefit obligation is included in the College's accounts payable and accrued liabilities.

The College participates in the Public Service Pension Plan and the Management Employees Pension Plan. The pension expense recorded in these financial statements is equivalent to the College's annual contributions of $1,058,842 for the year ended June 30, 2003 (2002 - $965,863).

At December 31, 2002, the Management Employees Pension Plan reported an unfunded liability of $301,968,000 (2001- surplus of $5,338,000) and the Public Service Pension Plan reported an unfunded liability of $175,528,000 (2001 - surplus of $320,487,000).

Note 9 Unamortized Deferred Capital Contributions

	2003	2002
Balance at beginning of year	$ 15,901,295	$ 15,551,554
Amortization of deferred capital contributions	(1,021,138)	(1,056,496)
Transferred from deferred capital contributions (Note 7)	631,971	1,396,407
Donated equipment	2,809	9,830
Balance at end of year	$ 15,514,937	$ 15,901,295

Note 10 Internally Restricted Net Assets

Internally restricted net assets represent amounts restricted by the College Board of Governors to be used for the following designated purposes. These amounts are not available for other purposes without the approval of the Board.

	2003			
	Opening	Appropriations	Expended	Closing
Capital:				
Facilities	$ 2,687,487	$ 525,000	$ -	$ 3,212,487
Equipment	1,445,904	-	(110,000)	1,335,904
Systems development	644,208	-	(285,864)	358,344
	4,777,599	525,000	(395,864)	4,906,735
Strategic investment	266,063	107,411	(20,611)	352,863
Technology renewal	356,431	419,555	(121,851)	654,135
Organizational development	465,673	259,000	-	724,673
Instructional development	619,653	309,975	(80,928)	848,700
Ancillary development	-	296,098	-	296,098
Scholarships	27,248	8,565	(5,503)	30,310
Totals	$ 6,512,667	$ 1,925,604	$ (624,757)	$ 7,813,514

Note 11 Endowments

Endowments consist of restricted donations to the College and internal allocations by the Board of Governors, the principal of which is not to be spent. Investment earnings on externally restricted endowments are recorded as deferred contributions until spent, at which time they are recorded as revenue. Investment earnings on internally restricted endowments are recorded as revenue and transferred to internally restricted net assets until spent. The investment income generated from endowments must be used in accordance with the purposes established by the donors or the Board of Governors. Endowments comprise the following:

	2003	2002
Externally restricted for scholarships and bursaries	$ 225,678	$ 196,000
Internally restricted:		
Scholarships and bursaries	104,000	84,000
Literacy	27,000	27,000
Graduation	10,000	10,000
	141,000	121,000
	$ 366,678	$ 317,000

Note 12 Grants and Other Provincial Government Contributions

	2003	2002
Alberta Learning:		
General operating grant	$ 16,023,445	$ 15,103,037
Performance envelope	521,354	629,784
Conditional grants (Note 6)	2,248,506	2,160,566
Conditional capital grants (Note 7)	65,039	-
Other Alberta Government:		
Contributions in kind (Note 18)	425,549	425,549
Conditional capital grants (Note 7)	468,469	-
Other conditional grants (Note 6)	3,000	5,327
	$ 19,755,362	$ 18,324,263

Note 13 Ancillary Services

	2003				2002
	Campus Store	Rental Books	Other Ancillary	Total	Total
Revenue	$ 977,803	$ 867,592	$ 240,295	$ 2,085,690	$ 1,739,204
Expense (Note 15)	(851,385)	(453,213)	(159,141)	(1,463,739)	(1,218,904)
Net	126,418	414,379	81,154	621,951	520,300
Indirect expenses	(65,678)	(126,966)	(17,953)	(210,597)	(205,905)
Excess	$ 60,740	$ 287,413	$ 63,201	$ 411,354	$ 314,395

Indirect expenses include estimates for the cost of use of space, facility operating costs, and institutional support. Other ancillary services include parking and external printing services.

Note 14 Interest Income

	2003	2002
Interest earnings	$ 592,546	$ 442,802
Add deferred amounts expended (Note 6)	10,873	11,632
Less amounts transferred to deferred contributions for scholarships and bursaries (Note 6)	(16,714)	(10,207)
Total interest income recognized as revenue	$ 586,705	$ 444,227

Note 15 Expense by Function

	2003	2002
Instruction	$14,058,612	$13,279,376
Academic support	5,566,471	5,224,662
Facilities operations and maintenance	5,137,209	4,069,862
Student services	3,141,389	3,091,216
Institutional support	3,225,361	3,010,381
Ancillary services (Note 13)	1,463,739	1,218,904
Computing, network and communications	1,306,774	1,243,724
Special purpose and trust	239,694	127,655
	$34,139,249	$31,265,780

Instruction encompasses all formal educational and instructional program elements.

Academic support includes all activities that directly support the educational and instructional elements such as academic administration, library and audio visual services.

Facilities operations and maintenance includes building maintenance, facilities administration, custodial services, utilities, repairs and renovations, capital amortization and other activities for the management of the facilities.

Student services includes all activities or services to the student body of the College.

Institutional support includes all activities that provide College-wide support to other programs and services.

Ancillary services include self supporting revenue producing services provided to students and faculty or staff.

Computing, network and communications includes activities and services that provide and support computing, networking, data communications and other information technology functions.

Special purpose and trust includes activities related to student assessment testing.

Note 16 Salaries, Wages and Benefits

The following information is prepared in accordance with Treasury Board Directive No. 12/98 and only includes salary and benefit information for the Board and Executive Management:

	2003			2002
	Salary(1)	Benefits and Allowances (2)	Total	Total
Chairman of the Board	$ 2,400	$ -	$ 2,400	$ 2,400
Board Members	12,500	-	12,500	11,650
President	123,600	16,615	140,215	132,427
Vice President - College Services	98,412	16,371	114,783	109,785
Vice President - Instruction	98,412	14,845	113,257	108,164
Director - Academic Upgrading	86,868	16,246	103,114	97,436
Director - Language Training	86,238	16,223	102,461	93,804
	$ 508,430	$ 80,300	$ 588,730	$ 555,666

1) Salaries and benefits represent the actual salary and benefits expense and include base pay, overtime pay, directors fees, flexible health plan benefits, amounts deferred for future leave and other direct cash remuneration.

2) Benefits and allowances include the College's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short and long-term disability plans, and professional memberships required for employment.

Note 17 Commitments and Contingencies

Future minimum annual lease payments under operating leases and other commitments are:

2004	$ 1,085,033
2005	995,169
2006	162,945
2007	138,373
2008 and thereafter	54,942

Included in the above is a major contract to provide facility maintenance services. The contract is for the period June 30, 2002 to June 30, 2005. The total outstanding commitment at June 30, 2003 is $1,421,645 .

Note 18 Related Parties

(a) Alberta Government and Alberta Post-Secondary Education Institutions

The College is a Provincial Corporation. All of the members of the Board of Governors are appointed pursuant to the Colleges Act by a combination of orders by the Lieutenant Governor in Council or the Minister of Learning. In accordance with the accounting policy described in Note 2 (e), the College accounts for all significant costs related to the services for which it is responsible.

In the normal course of operations, the College engages in brokerage and other collaborative arrangements with other post-secondary educational institutions in Alberta. These institutions are also Provincial Corporations.

The College had the following transactions with related parties:

	Alberta Government		Post Secondary Collaboration	
	2003	2002	2003	2002
Revenues:				
Grants and other provincial government contributions	$19,752,362	$18,318,936	$ -	$ -
Contract programs	1,618,054	1,238,192	880,553	729,142
Amortization of deferred capital contributions	1,017,484	1,053,123	-	-
Other sales, services and rental income	13,405	51,422	19,701	44,555
	$22,401,305	$20,661,673	$ 900,254	$ 773,697
Expenses	$ 928	$ -	$ 94,399	$ 41,800
Contributions in kind	425,549	425,549	-	-
	$ 426,477	$ 425,549	$ 94,399	$ 41,800
Accounts receivable	$ 262,319	$ 262,658	$ 120,064	$ 173,709
Accounts payable	$ -	$ -	$ -	$ 22,325
Deferred contributions	$ 981,090	$ 2,178,684	$ -	$ -
Unamortized deferred capital contributions	$15,489,928	$15,875,440	$ -	$ -

Contributions in kind from the Alberta Government includes an estimate of the fair value of the buildings leased by the College from the Alberta Government at nominal or discounted amounts, and estimates of the fair value of courier and internet services.

(b) Joint Venture

On December 18, 1998, the Lieutenant Governor in Council approved the establishment of a corporation, to be owned equally by Northern Lakes College, Portage College, NorQuest College and Bow Valley College. On February 10, 1999, 818196 Alberta Ltd. was incorporated pursuant to the Alberta Business Corporations Act.

The Corporation was created for the purpose of holding the jointly developed intellectual property transferred from her Majesty the Queen in Right of the Province of Alberta as represented by the Minister of Learning. The fair value of the intellectual property transferred cannot be reasonably determined. As at June 30, 2003, this Corporation was not active.

ote 19 Budget

The Board of Governors approved the College's annual budget on May 6, 2002.

	Board Approved Budget	Reclassification and Restatement[(a,b)]	Reported Budget
Revenue:			
Grants and other provincial government contributions	$ 18,301,470	$ 425,549	$ 18,727,019
Tuition and related fees	8,085,939	(3,000)	8,082,939
Contract programs and services	4,249,534	-	4,249,534
Other sales, services and rental income	1,631,090	3,000	1,634,090
Amortization of deferred capital contributions	1,000,000	-	1,000,000
Other	527,492	(527,492)	-
Interest income	-	375,000	375,000
Donations and contributions	-	-	-
	33,795,525	273,057	34,068,582
Expense:			
Salaries, wages and benefits	24,098,720	463,882	24,562,602
Supplies and services	6,209,055	(4,507,226)	1,701,829
Amortization and loss on disposal	1,800,000	-	1,800,000
Leases and rentals	-	1,130,503	1,130,503
Repairs and maintenance	-	884,500	884,500
Purchases for resale	-	530,600	530,600
Contracted services	-	791,829	791,829
Marketing	-	460,239	460,239
Utilities	618,600	1,000	619,600
Telecommunications	-	285,714	285,714
Professional development	279,400	41,800	321,200
Scholarships and bursaries	-	-	-
Commitments to reserves	375,000	(375,000)	-
	33,380,775	(292,159)	33,088,616
Excess of revenue over expense	$ 414,750	$ 565,216	$ 979,966

The approved budget was reclassified to conform to financial statement classifications of revenue and expense, and it was also restated. Restatements included:

a) Removal of $717,708 from expenses, and $152,492 from revenue, representing the budgeted amounts for internal transfers and operating contingencies.

b) An increase in both expenses and revenues of $425,549 representing estimates of contributions in kind from the Alberta Government which were not included in the budget.

Note 20 Funds Held on Behalf of Others

The College provides accounting services to certain entities. The following funds, held by the College on their behalf, are not included in these financial statements:

	2003	2002
NorQuest College Faculty Association	$ 179,342	$ 140,008
Deferred Salary Leave Plan	158,635	85,960
NorQuest College Students' Association	203,502	67,972
NorQuest College Staff Social Fund - Spirit Planners	4,836	6,775
NorQuest Student Art Club	428	-
Marine Biology Student Fund	79	76
	$ 546,822	$ 300,791

Note 21 Subsequent events

On September 2, 2003, the College purchased property adjacent to its main campus. The cost of the property was $1.3 million.

Note 22 Comparative Figures

Certain comparative amounts have been reclassified where necessary to conform to the current year's financial statement presentation.

Note 23 Approval of Financial Statements

These financial statements were approved by the Board of Governors.

NORTHERN LAKES COLLEGE

FINANCIAL STATEMENTS

June 30, 2003

Auditor's Report

Consolidated Statement of Financial Position

Consolidated Statement of Operations

Consolidated Statement of Changes in Net Assets

Consolidated Statement of Cash Flows

Notes to the Consolidated Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Governors of Northern Lakes College

I have audited the consolidated statement of financial position of Northern Lakes College as at June 30, 2003 and the consolidated statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
September 26, 2003

NORTHERN LAKES COLLEGE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2003

	2003	2002 (As Restated Note 3)
ASSETS		
Current:		
Cash	$ 3,657,719	$ 5,362,169
Accounts receivable	873,781	843,470
Inventories	146,405	113,440
Prepaid expenses	105,875	71,883
	4,783,780	6,390,962
Non-current cash (Note 4)	152,759	152,759
Investments (Note 5)	1,349,687	1,320,951
Capital assets (Note 6)	32,060,151	32,021,515
	$38,346,377	$39,886,187
LIABILITIES AND NET ASSETS		
Current:		
Accounts payable and accrued liabilities	$ 896,712	$ 1,286,068
Accrued vacation pay	2,032,170	1,900,747
Unearned revenue (Note 7)	104,235	100,606
Deferred contributions (Note 8)	1,009,470	1,580,738
Security deposits held	14,863	24,487
Current portion of capital lease obligation (Note 10)	62,514	18,064
	4,119,964	4,910,710
Deferred capital contributions (Note 9)	87,759	87,759
Long-term portion of capital lease obligation (Note 10)	-	62,514
Unamortized deferred capital contributions (Note 11)	26,753,492	27,446,380
	30,961,215	32,507,363
Net assets:		
Unrestricted net assets	2,063,074	2,806,325
Invested in capital assets	5,244,146	4,494,557
Internally restricted net assets (Note 12)	12,942	12,942
	7,320,162	7,313,824
Endowments	65,000	65,000
	7,385,162	7,378,824
	$38,346,377	$39,886,187

The accompanying notes are an integral part of these consolidated financial statements.

NORTHERN LAKES COLLEGE

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED JUNE 30, 2003

	June 30, 2003		June 30, 2002
	Budget (Note 22)	Actual	Actual
Revenue:			
Grants and provincial government contributions (Note 13)	$ 17,175,326	$ 17,292,710	$ 16,643,046
Tuition and related fees	3,906,087	3,323,271	3,213,955
Sales, rentals and services (Note 14)	1,099,245	1,213,910	1,141,427
Contract programs	344,700	449,699	433,523
Investment income (Note 15)	244,682	210,894	222,500
Logging equipment operator program	-	-	192,868
Donations and contributions	32,800	98,300	91,308
Miscellaneous	27,300	24,682	48,761
Gain on disposal of capital assets	35,000	255,910	-
Amortization of deferred capital contributions (Note 11)	1,246,000	1,284,890	1,301,505
	24,111,140	24,154,266	23,288,893
Expense (Note 16):			
Salaries, wages and benefits (Note 17)	13,831,501	14,143,482	13,018,604
Supplies and services	5,828,584	5,154,344	5,277,829
Amortization	1,962,000	1,984,359	1,913,288
Utilities	1,203,895	1,309,061	1,032,205
Travel	545,050	594,385	503,927
Cost of goods sold	311,000	487,024	380,742
Repairs and maintenance	183,450	208,470	195,350
Facilities rental	171,000	181,091	194,401
Scholarships and bursaries	79,500	68,567	57,063
Loss on sale of investments	-	17,145	-
	24,115,980	24,147,928	22,573,409
Excess (deficiency) of revenue over expense	$ (4,840)	$ 6,338	$ 715,484

NORTHERN LAKES COLLEGE

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2003

	June 30, 2003					June 30, 2002
	Endowments	Internally Restricted Net Assets	Invested in Capital Assets	Unrestricted	Total	Total
Excess of revenue over expense	$ -	$ -	$ -	$ 6,338	$ 6,338	$ 715,484
Contribution of land	-	-	-	-	-	9,500
Transfers for:						
Payment of capital lease principal	-	-	18,064	(18,064)	-	-
Acquisition of internally funded capital assets	-	-	1,509,603	(1,509,603)	-	-
Disposal of internally funded capital assets	-	-	(70,591)	70,591	-	-
Amortization of internally funded capital assets	-	-	(707,487)	707,487	-	-
Increase (decrease) in net assets	-	-	749,589	(743,251)	6,338	724,984
Net assets, beginning of year	65,000	12,942	4,494,557	2,806,325	7,378,824	6,653,840
Net assets, end of year	$ 65,000	$ 12,942	$5,244,146	$ 2,063,074	$7,385,162	$ 7,378,824

NORTHERN LAKES COLLEGE

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2003

	June 30, 2003	June 30, 2002 (As Restated Note 3)
Cash generated from (used by):		
Operating activities:		
Excess of revenue over expense	$ 6,338	$ 715,484
Non-cash transactions		
Amortization of deferred capital contributions	(1,284,890)	(1,301,505)
Amortization of capital assets	1,984,359	1,913,288
Gain on disposal of capital assets	(255,910)	-
	449,897	1,327,267
Changes in non-cash working capital (Note 18)	(932,464)	727,080
Cash generated from operating activities	(482,567)	2,054,347
Investing activities:		
Net increase in investments	(28,736)	(891,417)
Net decrease in non-current cash	-	31,968
Acquisition of capital assets	(2,101,604)	(2,185,305)
Proceeds on disposal of capital assets	334,519	-
Cash applied to investing activities	(1,795,821)	(3,044,754)
Financing activities:		
Principal payments of long-term debt	(18,064)	(16,370)
Capital contributions received (Note 9)	592,002	614,446
Contribution from Alberta Lottery Fund for Historical Village Project (Note 6)	-	9,500
Cash generated from financing activities	573,938	607,576
Decrease in cash	(1,704,450)	(382,831)
Cash at beginning of year	5,362,169	5,745,000
Cash at end of year	$ 3,657,719	$ 5,362,169

NORTHERN LAKES COLLEGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2003

Note 1 Authority and Purpose

Northern Lakes College was established as a public college on May 14, 1997 by the Lieutenant Governor in Council under the authority of the Colleges Act, Chapter C-19, Revised Statutes of Alberta 2000, as amended. The College is a registered charity and is exempt from the payment of income taxes under section 149 of the Income Tax Act.

Serving primarily communities in north central Alberta, the College provides quality educational programs and services which enable adults to continue their education, to improve their employment opportunities, and to enhance their quality of life. The College accomplishes its mission and mandate for services through: direct and distance delivered programs and courses; numerous credit and non-credit offerings; brokerage and collaborative arrangements; partnerships with business, industry, institutions and agencies; a structured network of community involvement in needs definition, student and staff selection, and assessment of College effectiveness; and use of technology to provide affordable and accessible programs and services to a wide geographic area.

Note 2 Significant Accounting Policies and Reporting Practices

(a) Basis of Presentation

These consolidated financial statements include the accounts of the College, the Council of Community Education Committees Society of Northern Lakes College (the "CCEC") and the Sunrise Higher Education Foundation (the "Foundation"). Both entities operate under the Alberta Societies Act and are registered charitable organizations for income tax purposes. The CCEC acts as a partner with the College reviewing, monitoring and advising on college service priorities in addition to operating and managing numerous programs and courses. The CCEC is made up of 24 education committees representing numerous community agencies and organizations in north central Alberta. The Foundation manages a co-operative university transfer program which provides full time program advisors and study skills tutors to assist students in developing the skills necessary to succeed.

(b) Revenue Recognition

(i) Unrestricted Contributions

Unrestricted operating grants and contributions are recognized as revenue in the period when receivable.

(ii) Restricted Contributions

Externally restricted non-capital grants and contributions are deferred and recognized as revenue in the period when related expenses are incurred.

Externally restricted capital contributions are recorded as deferred capital contributions until the amount is invested in capital assets. Amounts invested representing externally funded capital assets are then transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded.

Restricted contributions for the purchase of capital assets which will not be amortized are recorded as direct increases in net assets.

Externally restricted contributions for endowment purposes are not recognized as revenue, but are recorded as direct increases in net assets.

(iii) Investment Income

Unrestricted investment income is recognized in the year it is earned.

Investment income subject to external restrictions is, depending on the nature of the restrictions, recorded as a direct increase to net assets, or is deferred and recognized as revenue in the period the related expenses are incurred.

(iv) Donations

Donations and contributions in-kind are recorded at fair value when such value can reasonably be determined.

(v) Program Delivery

Revenue from tuition fees, education contract programs and sale of goods and services is recognized as revenue in the period in which the goods are delivered or the services are provided.

Revenue from long-term education contracts is determined on the percentage of completion method. Provision is made for all anticipated losses as soon as they become evident.

(c) Inventories

Inventories for resale are valued at the lower of cost, or estimated cost, and estimated net realizable value. Cost is determined on a first-in, first-out basis. Inventories held for consumption are valued at the lower of cost and replacement value.

(d) Investments

Non-current investments are recorded at cost. Cost includes the amount of applicable amortization of discount or premium using the straight-line method over the period to maturity. The cost of disposal is determined on the average cost basis. Gains or losses realized on disposal are recognized in the period of disposal.

Where there has been a loss in value of an investment that is other than a temporary decline, the investment is written down to recognize the loss. The written down value is deemed to be the new cost.

(e) Capital Assets and Collections

Capital assets are recorded at cost, except donated assets which are recorded at fair value, when fair value is reasonably determinable.

Capital assets, except work in progress which is amortized upon completion, are amortized on a straight-line basis over the following estimated average useful lives:

Buildings and site improvements	10 - 40 years
Telecommunications equipment	5 - 10 years
Furniture and equipment	5 - 10 years
Logging and heavy equipment	5 - 10 years
Vehicles	5 - 10 years
Library holdings	2 - 10 years
Curriculum development	5 years
Computer equipment and software	5 years

Leasehold improvements are amortized over the remaining term of the lease.

Museum Collections are recorded at cost and are not amortized.

(f) Employee Future Benefits

The College participates in the Province of Alberta's Public Service and the Management Employees Pension Plans. These pension plans are multi-employer defined benefit plans that provide pensions for the College's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the Public Service and the Management Employees Pension Plans. The College's portion of the pension plans' deficit or surplus is not recorded by the College.

(g) Financial Instruments

The carrying value of cash, receivables and payables, and accruals approximate their fair value due to the relatively short periods to maturity of the instruments. The fair value of investments is market value. The market value of publicly traded investments is based on quoted market prices.

Note 3 Prior Period Adjustment

As at June 30, 2002 an Alberta Museum Association Aboriginal Heritage Grant in the amount of $48,100 was incorrectly recorded as a deferred contribution relating to capital assets. The main purpose of this grant is to fund the Assistant Coordinator position for the Grouard Historical Village and therefore is a restricted operating grant. As a result of the correction of this error and the restatement of the June 30, 2002 comparative figures, deferred contributions have been increased by $48,100 and deferred capital contributions have been decreased by the same amount.

Note 4 Non-current Cash

Non-current cash consists of amounts related to:

	June 30, 2003	June 30, 2002
Externally restricted for capital purposes	$ 87,759	$ 87,759
Endowments	65,000	65,000
	$ 152,759	$ 152,759

Cash restricted for endowment purposes represent restricted contributions subject to stipulations specifying that the principal be maintained permanently, although the constituent assets may change from time to time. Investment earnings are to be used for purposes as designated by the contributors. Endowment balance includes an endowment of $5,000 established by the Board of Governors for scholarships.

Note 5 Investments

Investments are comprised of:

	June 30, 2003		June 30, 2002
	Market	Cost	Cost
Cash held by Investment Manager	$ 62,045	$ 62,045	$ 16,711
Term deposits	120,000	120,000	120,000
Fixed Income			
Federal guaranteed bonds	673,706	643,268	646,626
Provincial guaranteed bonds	371,457	349,737	349,691
	1,045,163	993,005	996,317
Equities			
Balanced mutual fund	94,950	93,717	91,352
Canadian money market fund	28,229	28,229	-
Overseas equity mutual fund	-	-	44,872
Money market fund	52,691	52,691	51,699
	175,870	174,637	187,923
	$ 1,403,078	$ 1,349,687	$ 1,320,951

a) Term Deposits

These consist of Royal Bank 5.8% term deposits maturing July 5, 2005.

b) Fixed Income Investments

The terms of the bond portfolio range from 1 years to 7 years with an average term to maturity of 3.5 years. The average effective yield on the bond portfolio is 5%.

c) Balanced Fund

This is a mix of Canadian (38.5%), U.S. (14.0%), and International (12.4%) common stocks and bonds, T-Bills and short-term investments (35.1%). This is termed a middle ground, steady income and moderate growth fund.

Average annual compound rates of return for the fund are 7.19% year to date and a 4 year average of 2.95%.

d) Canadian Money Market Fund

The Canadian Money Market Fund is a conservative T-Bill mutual fund with a monthly income objective. The average annual return is currently 2.51% and is being reinvested into the fund.

e) Money Market Fund

The Royal Bank Money Market Fund is a conservative T-Bill mutual fund with a monthly income objective. The average monthly return is currently 1.92% and is being reinvested into the fund.

Note 6 Capital Assets and Collections

	June 30, 2003			June 30, 2002
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Buildings and site improvements	$ 30,130,057	$ 3,159,206	$ 26,970,851	$ 27,176,633
Computer equipment and software	3,416,233	2,107,738	1,308,495	1,031,143
Logging and heavy equipment	121,483	62,550	58,933	125,912
Land	1,276,680	-	1,276,680	1,266,203
Library holdings	801,893	537,709	264,184	265,885
Curriculum development	756,205	428,411	327,794	252,609
Furniture and equipment	723,798	304,924	418,874	414,989
Vehicles	547,430	297,876	249,554	297,437
Telecommunication equipment	857,269	222,382	634,887	644,125
Leasehold improvements	208,897	121,467	87,430	119,732
Capital leases	107,168	53,040	54,128	75,562
Museum collections	74,471	-	74,471	61,251
Work in progress	333,870	-	333,870	290,034
	$ 39,355,454	$ 7,295,303	$ 32,060,151	$ 32,021,515

The museum collections are an educational and cultural resource containing aboriginal artifacts and clothing. The collections are displayed in the Native Cultural Heritage Museum at the Grouard Campus. The museum has also started a program to restore historical buildings to create a future historical site. In April 2002, the Museum received $9,500 from the Alberta Lottery Fund to conduct a feasibility study for the Historical Village Project.

Work in progress represents incomplete capital projects for software development in the amount of $126,012, curriculum development in the amount of $47,395, building renovations in the amount of $106,597, and a surveillance system in the amount of $53,866.

Note 7 Unearned Revenue

	June 30, 2003	June 30, 2002
Tuition Fees	$ 98,691	$ 100,606
Ancillary programs	5,544	-
	$ 104,235	$ 100,606

Note 8 Deferred Contributions

	June 30, 2003	June 30, 2002 (As Restated Note 3)
Balance at beginning of year	$ 1,580,738	$ 946,779
Restricted contributions received during the year:		
Conditional grants	327,071	1,706,749
Donations and contributions	87,857	89,239
Investment income (Note 15)	19,964	20,376
	2,015,630	2,763,143
Transferred to:		
Grant revenue (Note 13)	(445,895)	(492,966)
Donation revenue	(79,944)	(89,583)
Investment income (Note 15)	(9,120)	(15,065)
Deferred capital contributions (Note 9)	(471,201)	(584,791)
Balance at end of year	$ 1,009,470	$ 1,580,738

Unspent amounts at end of year are restricted for:

	June 30, 2003	June 30, 2002
Slave Lake Pool	$ 414,758	$ 440,442
Infrastructure Renewal	277,592	768,064
Student Awards and Scholarships	181,691	178,490
Program Enhancement	68,204	119,077
Museum	38,750	48,100
Staff Development	13,565	9,694
Alberta North Projects	10,957	10,919
Other	3,953	5,952
	$ 1,009,470	$ 1,580,738

Note 9 Deferred Capital Contributions

	June 30, 2003	June 30, 2002 (As Restated Note 3)
Balance at beginning of year	$ 87,759	$ 119,727
Contributions received during the year:		
Transfers from deferred contributions (Note 8)	471,201	584,791
Other contributions	120,801	29,655
	592,002	614,446
Transferred to:		
Unamortized deferred capital contributions (Note 11)	(592,002)	(646,414)
Balance at end of year	$ 87,759	$ 87,759

Unspent amounts at end of year are restricted for:

	June 30, 2003	June 30, 2002
Career Technology Studies Project	$ 82,147	$ 82,147
Historical building restoration project	5,612	5,612
	$ 87,759	$ 87,759

Note 10 Obligation Under Capital Lease

	Interest Rate %	June 30, 2003	June 30, 2002
Vehicles purchased under capital lease	7.6% - 10.6%	$ 65,851	$ 90,908
Less: Deferred finance charges		(3,337)	(10,330)
		62,514	80,578
Less: Current portion		(62,514)	(18,064)
		$ -	$ 62,514

Note 11 Unamortized Deferred Capital Contributions

	June 30, 2003	June 30, 2002
Balance at beginning of year	$ 27,446,380	$ 28,101,471
Add amount transferred from deferred capital contributions (Note 9)	592,002	646,414
Less amount amortized to revenue	(1,284,890)	(1,301,505)
Balance at end of year	$ 26,753,492	$ 27,446,380

Note 12 Net Assets Internally Restricted by the Board

Internally restricted net assets represent amounts that match donations received from employees for a variety of College supported projects. These amounts are not available for other purposes without the approval of the Board.

Note 13 Grants and Provincial Government Contributions

	June 30, 2003	June 30, 2002
Unrestricted:		
Alberta Learning:		
Base operating grant	$ 16,548,937	$ 15,590,709
Faculty and staff retention	192,339	345,999
Access grant - Construction Assistance	44,983	-
Access grant - Licensed Practical Nurse	38,083	-
Unfunded enrolment	-	122,000
Performance envelope	-	78,474
Museum grants	9,139	8,311
Other grants	13,334	4,587
	16,846,815	16,150,080
Transferred from Deferred Contributions (Note 8):		
Access grants	269,392	431,046
Facilities maintenance grant	94,141	39,130
Museum grants	74,071	4,564
LEE - PNP Extended delivery system	8,291	7,953
Other	-	10,273
	445,895	492,966
	$ 17,292,710	$ 16,643,046

Note 14 Sales, Rentals and Services

	June 30, 2003			
	Bookstores	Housing	Other	Total
Sales, rentals and services	$ 616,949	$ 242,112	$ 354,849	$ 1,213,910
Add:				
Amortization of deferred capital contributions	3,032	154,211	-	157,243
Total revenue	619,981	396,323	354,849	1,371,153
Expense (Note 16)	(604,262)	(536,435)	-	(1,140,697)
Excess (deficiency) of revenue over expense	$ 15,719	$ (140,112)	$ 354,849	$ 230,456
Excess (deficiency) of revenue over expense (2002)	$ 44,665	$ (119,876)	$ 402,825	$ 327,614

Other revenues in the amount of $354,849 (2002 - $402,825) represent service contract revenue, rental income, sale of curriculum and other miscellaneous revenue.

Note 15 Investment Income

	June 30, 2003	June 30, 2002
Investment earnings	$ 221,766	$ 227,828
Add amounts transferred from deferred contributions (Note 8)	9,120	15,065
Less amounts transferred to security deposits	(28)	(17)
Less amounts transferred to deferred contributions (Note 8)	(19,964)	(20,376)
Total investment income recognized as revenue	$ 210,894	$ 222,500

Note 16 Expense by Function

	June 30, 2003	June 30, 2002
Instruction	$ 8,220,220	$ 8,062,192
Facilities operations and maintenance	4,861,253	4,416,006
Academic support	3,356,264	2,956,113
Institutional support	3,083,890	2,897,561
Student services	2,295,661	2,201,075
Computing, network and communications	1,172,798	1,070,283
Sales, rentals and services (Note 14)	1,140,697	970,179
	$ 24,130,783	$ 22,573,409

Instruction encompasses all formal educational and instructional program elements. Academic support includes all activities that directly support the educational and instructional elements such as academic administration, library and audio visual services. Student services include all activities or services to the student body of the institution. Institutional support includes all activities that provide institution-wide support to other programs.

Note 17 Salaries, Wages and Benefits

The salary and benefit disclosure is provided pursuant to Treasury Board Directive 12/98 and includes only the salaries and benefits of those individuals in the senior decision making group of the College.

	2003			2002
	Salary(1)	Benefits and Allowances(2)	Total	Total
Board of Governors(3)	$ 26,046	$ 70	$ 26,116	$ 29,397
President	145,508	6,718	152,226	137,616
Vice-President - Learner Services	97,833	16,514	114,347	116,897
Vice-President - College Services	91,362	16,267	107,629	102,164
Deans:				
Academic Upgrading	91,735	16,069	107,804	102,490
University and Career Studies	90,370	14,732	105,102	99,106

(1) Salaries include base pay, bonuses, overtime pay, vacation payouts, honoraria and other direct cash remuneration.

(2) Benefits and allowances include the College's share of all employee benefits including Canada Pension Plan, Employment Insurance, pensions, health care, dental coverage, group life insurance, and accidental death and dismemberment insurance and any cash disbursements with respect to vehicle allowances.

(3) There are eleven board members. Several members of the Board are serving members of the individual Community Education Committees and/or the Council of Community Education Committees. During the period, these members received additional honoraria totaling $3,016, which is not included in above figure, in their capacity as members of these committees (2002 $4,545).

Note 18 Changes in Non-cash Working Capital

	June 30, 2003	June 30, 2002 (As Restated Note 3)
Accounts receivable	$ (30,311)	$ (182,206)
Inventories	(32,965)	10,703
Prepaid expenses	(33,992)	20,378
Accounts payable and accrued liabilities	(389,356)	61,318
Accrued vacation pay	131,423	118,765
Unearned revenue	3,629	51,166
Deferred contributions	(571,268)	633,959
Security deposits held	(9,624)	12,997
	$ (932,464)	$ 727,080

Note 19 Commitments

Future minimum annual lease payments under operating leases are:

2004	$ 349,017
2005	$ 334,107
2006	$ 257,662
2007	$ 110,763
2008 and thereafter	$ 20,832

Note 20 Related Parties

(i) The College is a Provincial Corporation as all members of the Board of Governors are appointed by a combination of orders by the Lieutenant Governor in Council and the Minister of the Department of Learning. Grants and other provincial government contributions are described in Note 13.

(ii) On December 18, 1998, the Lieutenant Governor in Council approved the establishment of a corporation, to be owned equally by Northern Lakes College, Portage College, NorQuest College and Bow Valley College. On February 10, 1999, 818196 Alberta Ltd. was incorporated pursuant to the Alberta Business Corporations Act.

The Corporation was created for the purpose of holding the jointly developed intellectual property to be transferred from Her Majesty the Queen in Right of the Province of Alberta as represented by the Minister of Learning. As at June 30, 2003 this Corporation was not active and held no assets.

(iii) The College participates in offering certain courses with other Alberta post secondary education institutions. The revenues and expenses incurred for these courses have been included in the consolidated statement of operations at fair value.

Note 21 Operating Segment Information

The following information presents the results of operations of the College by operating segment. The College has three main operating segments which are managed independently and offer differing educational services. The College itself offers numerous credit and non-credit courses, the CCEC offers short-term non-credit courses based on community defined adult learning needs, and the Sunrise Foundation offers university transfer courses. Inter-segment transactions are recorded at fair value.

A) Statement of Financial Position

	June 30, 2003			
	College	CCEC	Sunrise Foundation	Total
Assets				
Total assets	$ 37,177,472	$ 637,388	$ 661,939	$ 38,476,799
Adjustment [(1)]				(130,422)
Total assets per consolidated statements				$ 38,346,377
Liabilities and Net Assets				
Total liabilities	$ 30,887,941	$ 144,642	$ 81,865	$ 31,114,448
Total net assets	6,289,531	492,746	580,074	7,362,351
	$ 37,177,472	$ 637,388	$ 661,939	38,476,799
Adjustment [(1)]				(130,422)
Total liabilities and net assets per consolidated statements				$ 38,346,377

B) Statement of Operations

	College	CCEC	Sunrise Foundation	Total
Total revenue	$ 23,872,726	$ 234,162	$ 304,054	$ 24,410,942
Total expense	23,838,074	249,111	317,919	24,405,104
Excess of revenue over expense	$ 34,652	$ (14,949)	$ (13,865)	5,838
Adjustment [(1)]				500
Total excess of revenue over expense per consolidated statements				$ 6,338

(1) Represents elimination of inter-segment transactions.

Note 22 Budget

The College is required to submit a budget, approved by the Board of Governors of the College, to the Minister of Alberta Learning for his approval. The College Budget for the year ended June 30, 2003 was was approved by the Board of Governors on May 09, 2002. The budget for CCEC was approved on October 24, 2002. During the year the Sunrise Board was anticipating the wind down of operations, therefore a budget for 2002/2003 was not prepared.

	2003			
	College Approved Budget	CCEC Approved Budget	Sunrise Approved Budget	Total Budget
Revenue:				
Grants	$ 17,039,326	$ 136,000	$ -	$ 17,175,326
Tuition and related fees	3,856,087	50,000	-	3,906,087
Sales, rentals and services	1,087,245	12,000	-	1,099,245
Contract programs	332,700	12,000	-	344,700
Investment income	224,682	20,000	-	244,682
Gain on disposal of capital assets	35,000	-	-	35,000
Donations and contributions	12,000	20,800	-	32,800
Miscellaneous	27,300	-	-	27,300
Amortization of deferred capital contributions	1,246,000	-	-	1,246,000
	23,860,340	250,800	-	24,111,140
Expense:				
Salaries, wages and benefits	13,831,501	-	-	13,831,501
Supplies and services	5,599,944	228,640	-	5,828,584
Amortization	1,962,000	-	-	1,962,000
Utilities	1,203,895	-	-	1,203,895
Facilities rental	171,000	-	-	171,000
Cost of goods sold	311,000	-	-	311,000
Travel	527,050	18,000	-	545,050
Repairs and maintenance	182,450	1,000	-	183,450
Scholarships and bursaries	71,500	8,000	-	79,500
	23,860,340	255,640	-	24,115,980
Excess (deficiency) of revenue over expense	$ -	$ (4,840)	$ -	$ (4,840)

Note 23 Pension Costs

The College participates in the multi-employer Management Employees Pension Plan and Public Service Pension Plan. The expense for these pension plans is equivalent to the annual contributions of $598,177 for the year ended June 30, 2003 (2002 - $567,450).

At December 31, 2002, the Management Employees Pension Plan reported a deficit of $301,968,000 (2001 - $5,338,000 surplus) and the Public Service Pension Plan reported a deficit of $175,528,000 (2001 - $320,487,000 surplus).

Note 24 Comparative Figures

Certain comparative amounts have been reclassified where necessary to conform to the current year's financial statement presentation.

Note 25 Approval of Financial Statements

These financial statements were approved by the Board of Governors.

OLDS COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2003

Auditor's Report

Consolidated Balance Sheet

Consolidated Statement of Operations

Consolidated Statement of Financial Position

Consolidated Statement of Cash Flows

Notes to the Consolidated Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Governors of Olds College

I have audited the consolidated balance sheet of the Olds College as at June 30, 2003 and the consolidated statements of operations, financial position, and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
January 21, 2004

OLDS COLLEGE

CONSOLIDATED BALANCE SHEET

AS AT JUNE 30, 2003

	2003	2002
ASSETS		
Current:		
Cash and short-term investments (Note 3)	$ 3,638,716	$ 4,976,087
Accounts receivable	2,555,828	1,788,413
Inventories (Note 4)	349,320	463,160
	6,543,864	7,227,660
Long-term contributions receivable	170,000	350,000
Long-term investments (Note 3)	5,761,927	4,873,050
Capital assets (Note 5)	29,636,573	30,450,948
	$ 42,112,364	$ 42,901,658
LIABILITIES AND NET ASSETS		
Current:		
Accounts payable	$ 1,403,846	$ 684,609
Current portion of long term debt (Note 6)	179,582	110,617
Deferred non-capital grants (Note 8)	414,732	1,067,792
Deferred revenue (Note 7)	1,072,061	1,518,499
Accrued vacation pay	1,215,192	1,313,350
Deferred donations and endowment interest (Note 9)	1,243,879	1,138,099
	5,529,292	5,832,966
Deferred capital contributions (Note 11)	930,761	331,609
Long term debt (Note 6)	3,980,860	3,331,549
Unamortized deferred capital contributions (Note 12)	17,598,981	19,387,853
	28,039,894	28,883,977
Net assets:		
Unrestricted	1,027,399	719,223
Internally restricted (Note 13)	451,568	1,385,084
Invested in capital assets	7,877,154	7,620,929
Endowments (Note 14)	4,716,349	4,292,445
	14,072,470	14,017,681
	$ 42,112,364	$ 42,901,658

OLDS COLLEGE

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED JUNE 30, 2003

	2003		2002
	Budget (Note 21)	Actual	Actual
Revenue:			
Grants, Province of Alberta (Note 20)	$ 16,127,292	$ 15,711,802	$ 15,896,188
Other grants and training contracts	1,861,012	2,433,154	2,242,867
Tuition and related fees	4,542,181	4,563,785	4,264,946
Sales, rentals and other services (Note 15)	4,677,927	5,104,440	4,919,931
Investment income (Note 19)	461,600	541,493	380,340
Donations	799,922	699,784	887,837
Amortization of deferred contributions related to capital assets (Note 12)	1,700,000	2,517,830	1,877,766
	30,169,934	31,572,288	30,469,875
Expense:			
Salaries and benefits	16,878,015	17,401,279	16,882,752
Supplies and services	7,424,051	7,435,283	7,664,748
Scholarships and bursaries	177,500	213,788	180,600
Cost of goods sold	1,787,050	1,846,499	1,846,569
Utilities	994,917	1,511,468	987,399
Amortization of capital assets	2,685,000	2,836,385	2,832,584
Loss on disposal of capital assets	-	696,701	23,983
	29,946,533	31,941,403	30,418,635
Excess (deficiency) of revenue over expense	$ 223,401	$ (369,115)	$ 51,240

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED JUNE 30, 2003

	2003						2002
	Unrestricted Net Assets	Internally Restricted Net Assets (Note 13)	Investment in Capital Assets	Total Operating Net Assets	Endowments	Total Net Assets	Total Net Assets
(Deficiency) excess of revenue over expense	$ (369,115)	$ -	$ -	$ (369,115)	$ -	$ (369,115)	$ 51,240
Endowments received				-	394,421	394,421	216,453
Recapitalized Endowment Earnings				-	29,483	29,483	16,505
Board restrictions	799,336	(933,516)	134,180	-		-	-
Internally funded:							
Capital asset acquisitions	(1,148,814)		1,148,814	-		-	-
Repayment of long-term debt	(81,724)		81,724	-		-	-
Amortization of capital assets	1,007,677		(1,007,677)	-		-	-
Disposal of capital assets	100,816		(100,816)	-		-	-
Increase(decrease) in net assets	308,176	(933,516)	256,225	(369,115)	423,904	54,789	284,198
Balance beginning of year	719,223	1,385,084	7,620,929	9,725,236	4,292,445	14,017,681	13,733,483
Balance, end of year	$ 1,027,399	$ 451,568	$ 7,877,154	$ 9,356,121	$ 4,716,349	$ 14,072,470	$ 14,017,681

OLDS COLLEGE

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2003

	2003	2002
Operating activities:		
(Deficiency) excess of revenue over expense	$ (369,115)	$ 51,240
Amortization of deferred contributions related to capital assets	(2,517,830)	(1,877,766)
Amortization of capital assets	2,836,385	2,832,584
Loss on disposal of capital assets	696,701	23,983
	646,141	1,030,041
Net changes in non-cash operating working capital (Note 16)	(1,026,212)	644,470
Cash flow from operations	(380,071)	1,674,511
Investing activities:		
(Acquisitions) proceeds of long-term investments, net	(888,877)	373,584
Acquisition of capital assets	(2,811,950)	(2,969,637)
Proceeds from disposal of capital assets	93,237	-
Cash applied to investing activities	(3,607,590)	(2,596,053)
Financing activities:		
Repayment of long term debt	(81,724)	(80,722)
Long-term debt issued	800,000	-
Contributions receivable	180,000	(350,000)
Capital contributions received	1,243,784	1,717,059
Donated Equipment	84,326	272,294
Endowments contributions received	423,904	232,958
Cash generated from financing activities	2,650,290	1,791,589
Increase in cash and short-term investments	(1,337,371)	870,047
Cash and short-term investments, beginning of year	4,976,087	4,106,040
Cash and short-term investments, end of year	$ 3,638,716	$ 4,976,087

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2003

Note 1 Authority

Olds College operates under the authority of the Colleges Act, Revised Statutes of Alberta 2000, Chapter C-19.

The College is a public institution preparing individuals for business management, production and technical careers in agriculture, horticulture and land management. In addition to granting diplomas and certificates, the College offers other programs in a variety of formats for the learning needs of the greater community.

The College is a registered charity and is exempt from payment of income tax.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

(a) General

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these statements requires the use of estimates, which may vary from actual results.

(b) Consolidated Statements

These consolidated financial statements include the accounts of the Olds College Foundation, which operates under Part 9 of the Alberta Companies Act and the Olds College Centre for Innovation Inc., a wholly owned subsidiary incorporated under the Business Corporations Act of Alberta.

The Olds College Foundation is a charitable organization whose purpose is to obtain donations on behalf of the College. The Foundation transfers donated funds to the College, but retains administrative control over the use of the funds.

Olds College Centre for Innovation Inc. was incorporated on April 4, 2001 and commenced operations on July 1, 2001. The Centre was established for the purpose of furthering the amount of participation in applied research undertaken by Olds College students and faculty.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(c) Revenue Recognition

Operating grants are recognized as revenue in the period when receivable. Operating grants received for a future period are reflected as deferred revenue.

Amounts received for tuition fees and sale of goods and services are deferred and recognized as revenue at the time the goods are delivered or the services are provided.

Externally restricted non-capital contributions are deferred and recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts may only be used for purposes designated by the external party.

Any externally restricted contributions containing stipulations that the amounts should be retained as net assets or that the contributions should not be expended, including endowments, are recorded as direct increases in net assets. Such stipulations would include contributions made for endowment purposes or to be used to acquire non-amortizable property such as land.

Externally restricted capital contributions are recorded as deferred capital contributions until the amount is invested in capital assets. Amounts invested representing externally funded capital assets are then transferred to unamortized deferred capital contributions. These amounts are recognized as revenue in the periods in which the related amortization expense of the funded capital assets are recorded. The related portion of amortization expense and capital contributions revenue are matched to indicate that the related amortization expense has been funded externally.

Unrestricted contributions are recognized as revenue when they are received.

Contributions of materials and services that would otherwise have been purchased are recorded at fair value, if reasonably determined.

(d) Inventories

Inventory of bookstore merchandise is maintained using the first-in first-out method, and is valued at the lower of cost and net realizable value. Livestock is valued at net realizable value.

(e) Investments

Long-term investments are recorded at cost or amortized cost where applicable. Gains or losses on investments are recognized at realization, or when there is an other than temporary impairment in the value of an investment.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(f) Capital Assets

The Province of Alberta, Department of Infrastructure transferred land, certain buildings and renovations to the College. The land is recorded at April 1978 fair value and the buildings and renovations and certain library materials are recorded at April 1978 depreciated replacement cost as determined by an independent appraisal. Acquisitions of capital assets since April 1, 1978 are recorded at cost, except for donated capital assets which are recorded at cost as approximated by fair value.

The Province of Alberta has been granted an option to purchase the whole or any part of the transferred land, buildings, and renovations for $1 per purchase.

Capital assets are amortized on a straight-line basis over the following estimated useful lives:

Site improvements	40 years
Buildings	15-40 years
Furnishings, equipment and computer hardware	2-15 years
Library and audio visual materials	10 years

Buildings under construction includes the direct construction and overhead costs directly attributable to the construction.

(g) Employee Future Benefits

The College participates in the Local Authorities Pension Plan. This pension plan is a multi-employer defined benefit pension plan that provide pensions for the College's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the pension plan. The College's portion of the pension plan's deficit or surplus is not recorded by the College.

(h) Financial Instruments

The fair value of the College's accounts receivable, accounts payable, deferred revenue and accrued vacation pay approximate their fair values due to the relatively short periods to maturity for these instruments.

Note 3 Cash and Investments

The amount held as long-term investments represents funds not available for current operations and includes endowments, deferred contributions externally restricted for capital purposes, and net assets internally restricted for capital purposes.

	2003	2002
Endowments	$ 4,716,349	$ 4,292,445
Deferred capital contributions (Note 11)	930,761	331,609
Internally restricted net assets, capital (Note 13)	114,817	248,996
Held as long-term investments	5,761,927	4,873,050
Cash and short-term investments	3,638,716	4,976,087
Total cash and investments	$ 9,400,643	$ 9,849,137

Cash and investments are summarized as follows:

	2003		2002	
	Cost	Market Value	Cost	Market Value
Cash and short-term investments	$ 387,333	$ 387,333	$ (120,059)	$ (120,059)
Fixed income - bonds and deposit notes	2,397,523	2,468,961	4,343,765	4,340,384
Equities - stocks	6,615,787	6,273,207	5,625,431	4,978,734
	$ 9,400,643	$ 9,129,501	$ 9,849,137	$ 9,199,059

Within the investment portfolio, there are securities at costs that are in excess of market value. These securities have not been written down to market value, because management has concluded, based on review of market information for the securities, that impairment is temporary.

Note 3 Cash and Investments (continued)

Maturity dates are summarized as follows:

	Term to Maturity			2003	2002
	Within 1 Year	1 to 5 Years	6 to 10 Years	Total	Total
Bonds and Debentures:					
Other provincial	$ -	$ 746,593	$ -	$ 746,593	$ 940,920
Other government and corporate bonds	-	808,804	696,282	1,505,086	3,056,180
US Corporate Bonds	145,844	-	-	145,844	146,665
	$ 145,844	$ 1,555,397	$ 696,282	$ 2,397,523	$ 4,143,765
Yield				4.21%	6.02%
Fair Value				2,434,722	4,140,384
Securities:					
Term deposits				-	200,000
		$ -	$ -		$ 200,000
Yield				-	6.25%
Fair Value				-	200,000
	145,844	1,555,397	696,282	2,397,523	4,343,765
Accrued Interest				48,037	92,442
	$ 145,844	$ 1,555,397	$ 696,282	$ 2,445,560	$ 4,436,207

Realized return includes interest and dividend income and gains and losses on disposal of investments.

The Board of Governors, through its Human Resources, Finance and Technology Committee, monitors the performance of the investment portfolio. The prime objective and guiding principles of the College's investment policy is to enhance the value of the funds, and at the same time provide a dependable, increasing source of income to support the operating budget, while preventing undue exposure to risk. The four criteria that guide the College's investment policy are safety, growth, liquidity and congruence with our mission. The investments are managed on a day to day basis by College staff and an external investment manager.

The investment fund policy allows for all of the funds to be invested in fixed income, short-term investments and equity investments.

Note 4 Inventories

	2003	2002
Livestock, feed and supplies	$ 233,978	$ 346,155
Bookstore merchandise and other	115,342	117,005
	$ 349,320	$ 463,160

Note 5 Capital Assets

	2003			2002
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 2,321,348	$ -	$ 2,321,348	$ 1,210,776
Site improvements	2,810,890	639,601	2,171,289	2,197,910
Buildings	49,434,316	29,059,167	20,375,149	22,712,558
Furnishings and equipment	15,477,215	10,708,428	4,768,787	4,329,704
	$ 70,043,769	$ 40,407,196	$ 29,636,573	$ 30,450,948

Capital assets have been funded as follows:

	2003	2002
Deferred contributions related to capital assets	$ 17,598,981	$ 19,387,853
Long term debt	4,160,438	3,442,166
Investment in capital assets	7,877,154	7,620,929
	$ 29,636,573	$ 30,450,948

Note 6 Long Term Debt

The College acquired long term debt to finance the construction of student residence town houses. Construction of these town houses was done in two phases with work being completed during September 1998 for phase one and September 1999 for phase two.

Phase one is partially funded through a debt instrument amortized over 15 years. This instrument has a fixed interest rate of 5.09% to June 11, 2018. Phase two is funded through a debenture that is due April 1, 2024 and has a fixed interest rate of 5.75%.

Note 6 Long Term Debt (continued)

The College also purchased 613 acres of farm land during February 2003. This land was partially funded through a 5.625% fixed interest rate debenture that is due February 14, 2018. This loan is secured by the farm land.

Long term debt includes a note payable of $25,000 which is subject to renegotiation.

June 30, 2003 long term debt:

	Outstanding Principal		Mortgage Payment Requirements				
	Long term	Current	2004	2005	2006	2007	2008
Phase One	$ 1,428,000	$ 72,000	$ 80,364	$ 80,364	$ 80,364	$ 80,364	$ 80,364
Phase Two	1,788,224	47,218	152,756	152,756	152,756	152,756	152,756
Farm land	764,636	35,364	146,600	143,087	138,848	146,870	142,931
Other	-	25,000		-	-	-	-
	$ 3,980,860	$ 179,582	$ 379,720	$ 376,207	$ 371,968	$ 379,990	$ 376,051

Interest of $199,297 (2002 - $197,385) has been charged to expense during the year.

Note 7 Deferred Revenue

	2003	2002
Program Delivery/Extension services	$ 196,872	$ 397,468
Tuition fees	240,496	219,248
Prepaid lease revenue	85,120	119,838
Research	517,965	728,227
Other	31,608	53,718
	$ 1,072,061	$ 1,518,499

Note 8 Deferred Non-Capital Grants

	2003	2002
Infrastructure grant	$ 374,102	$ 1,002,682
Extension program delivery grant	8,431	33,977
Research grants	32,199	31,133
	$ 414,732	$ 1,067,792

Note 9 Deferred Donations and Endowment Interest

Deferred donations and endowment interest represent the unexpended portion of amounts received for specific purposes.

	2003	2002
Contributions received during the year:		
Donations	$ 502,964	$ 408,932
Restricted investment income	193,605	116,452
	696,569	525,384
Transferred to:		
Donations revenue	(393,126)	(393,080)
Investment income revenue	(197,663)	(152,647)
	(590,789)	(545,727)
Increase (decrease) during the year	105,780	(20,343)
Balance, beginning of year	1,138,099	1,158,442
Balance, end of year	$ 1,243,879	$ 1,138,099
The balance is restricted for:		
Endowment scholarships	$ 239,384	$ 271,615
Staff development	42,548	52,887
Programs and projects	961,947	813,597
	$ 1,243,879	$ 1,138,099

Note 10 Pension Expense

The pension expense recorded in these financial statements is equivalent to the College's annual contributions payable of $705,243 for the year ended June 30, 2003 (2002 - $617,122).

At December 31, 2002, the Local Authorities Pension Plan reported a deficiency of $444,980,000 (2001 surplus - $634,960,000).

Note 11 Deferred Capital Contributions

	2003	2002
Received during the year:		
Infrastructure renewal grant	$ 3,211	$ 283,330
James Murray building addition grant	57,678	503,376
Furniture, equipment and computers grants	481,152	390,776
Canadian Foundation for innovation grant	773,709	352,581
Animal Health Technician grant	-	213,334
Donated Equipment	84,326	272,294
	1,400,076	2,015,691
Transfers to unamortized deferred capital contributions:		
Infrastructure renewal	3,211	283,330
Heavy duty apprentice equipment	94,360	198,284
James Murray building addition	57,678	503,237
Furniture, equipment and computers	232,902	521,805
Canadian Foundation for Innovation	250,186	322,682
Windrow turner	2,346	212,000
Animal Health Technician grant	3,949	206,234
Donated Equipment	84,326	272,294
	728,958	2,519,866
Transfers to revenue:		
Heavy duty apprentice equipment grant	-	11,670
Furniture, equipment and computers grants	-	14,668
Canadian Foundation for Innovation grant	68,814	-
Animal Health Technician grant	3,152	-
	71,966	26,338
Increase during the year	599,152	(530,513)
Balance, beginning of year	331,609	862,122
Balance, end of year	$ 930,761	$ 331,609

Note 12 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions related to capital assets represent external funding of capital assets which will be recognized as revenue in the future.

	2003	2002
Balance, beginning of year	$ 19,387,853	$ 18,745,753
Amount transferred from deferred contributions (Note 11)	728,958	2,519,866
Amount transferred to revenue	(2,517,830)	(1,877,766)
Balance, end of year	$ 17,598,981	$ 19,387,853

Note 13 Internally Restricted Net Assets

Net assets internally restricted by the Board represent an amount set aside by the College's Board of Governors to be used for designated purposes. These amounts are not available for other purposes without the approval of the Board. The Board of Governors has placed internal restrictions on operating net assets as follows:

	2003	2002
Capital:		
Farm capital renewal	$ 114,817	$ 248,996
Non-capital:		
Departmental projects	31,057	31,057
Residence Mortgage Fund	-	853,648
Scholarships	13,000	14,000
Foundation Projects	292,694	237,383
	336,751	1,136,088
	$ 451,568	$ 1,385,084

Note 14 Endowments

Endowments consist of restricted donations to the College, the principal of which is required to be maintained intact in perpetuity. The investment income generated from endowments must be used in accordance with the various purposes established by the donors. Benefactors as well as College policy stipulate that the economic value of the endowments must be protected by limiting the amount of income that may be expended and reinvesting unexpended income.

Note 15 Sales, Rentals and Other Services

Sales, rentals and other services revenue are summarized as follows:

	2003	2002
Conference and food services	$ 1,639,944	$ 1,574,619
Residence	1,136,136	1,146,019
Farm Operations	634,572	709,944
Bookstore	699,637	680,937
Academic Program Ancillary	399,868	384,891
Rentals & Other	594,283	423,521
	$ 5,104,440	$ 4,919,931

Note 16 Net Changes in Non-cash Working Capital

	2003	2002
(Increase) decrease in accounts receivable	$ (767,413)	$ 45,664
Decrease (increase) in inventories	113,840	(68,405)
Increase (decrease) in accounts payable	719,237	(554,371)
(Decrease) increase in deferred non-capital grants	(653,060)	999,917
(Decrease) increase in deferred revenue	(446,438)	230,645
(Decrease) increase in accrued vacation pay	(98,158)	11,363
Increase (decrease) in deferred donations and endowment interest	105,780	(20,343)
	$ (1,026,212)	$ 644,470

Note 17 Salaries and Benefits

The Province of Alberta's Treasury Board Salary and Benefits Disclosure Directive dated December 16, 1998 requires the College to disclose certain salaries and benefits. These salaries and benefits are as follows:

	2003			2002
	Salary(a)	Benefits and Allowances(b)	Total	Total
Chairman of the Board	$ 15,600	$ -	$ 15,600	$ 14,960
Board members	28,127	841	28,968	26,971
President(c)	139,894	13,871	153,765	137,453
Vice-President, Academic	111,528	12,045	123,573	123,473
Vice-President, Student and Support Services	105,404	13,826	119,230	109,789
Executive Director, Olds College Foundation	92,541	12,689	105,230	98,485
Chief Operating Officer, Olds College Centre for Innovation	103,390	13,502	116,892	111,061
Dean, Animal Science	106,354	14,104	120,458	114,845
Dean, Trades and Technologies	95,076	13,019	108,095	95,451
Dean, Land Sciences	93,299	13,121	106,420	101,433
Dean, Business Development	99,089	7,438	106,527	38,244
	$990,302	$ 114,456	$ 1,104,758	$972,165

(a) Salary includes regular base pay, overtime, performance bonuses and honoraria.

(b) Benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental and vision coverage, group life insurance, employment insurance, remission of tuition fees and vacation payouts.

(c) Rental housing provided no amount included in benefits and allowances.

Note 18 Funds Held on Behalf of Others

Olds College holds funds in trust for several organizations as follows:

	2003	2002
Big Country Educational Consortium	$ 698,486	$ 592,012
Student Association	501,000	426,464
Other	108,759	95,851
	$ 1,308,245	$ 1,114,327

Note 19 Investment Income

	2003	2002
Restricted investment income on resources held for endowment	$ 223,089	$ 132,957
Non restricted investment income	343,829	227,693
Total investment income	566,918	360,650
Transfer from deferred donations and endowment interest	4,058	36,195
Amounts credited directly to endowment principal	(29,483)	(16,505)
	$ 541,493	$ 380,340

Note 20 Related Party Transactions

The College is a Provincial Corporation as all members of the Board of Governors are appointed either by statute or by a combination of orders by the Lieutenant Governor in Council and the Minister of Learning. Transactions between the College and the Province are disclosed in the Consolidated Statement of Revenue and Expense and Consolidated Balance Sheet and are as follows:

	2003		
	Revenue	Deferred Revenue	Deferred Contributions and UDCC
Operating & Performance grant	$ 13,802,327	$ -	$ -
Access Funding	664,342	-	-
Extension Services grants	161,602	25,546	-
Infrastructure renewal	604,839	608,049	(3,211)
Centre for Innovation	100,665	(9,811)	-
Miscellaneous grants	378,027	20,531	152
	$ 15,711,802	$ 644,315	$ (3,059)

	2002		
	Revenue	Deferred Revenue	Deferred Contributions and UDCC
Operating & Performance grant	$ 12,523,212	$ -	$ -
Access Funding	865,031	-	-
Extension Services grants	218,023	-	-
Infrastructure renewal	760,142	819,000	589,858
Centre for Innovation	176,242	-	-
Miscellaneous grants	1,353,538	233,865	(26,339)
	$ 15,896,188	$ 1,052,865	$ 563,519

During the year, Olds College had business transactions with Big Country Educational Consortium, Southern Alberta Institute of Technology, Northern Alberta Institute of Technology, Red Deer College, Lakeland College, University of Calgary, University of Alberta and the University of Lethbridge. These transactions were at market prices on normal terms of purchase and sale and have been included in the Statement of Revenue and Expense.

Note 21 Comparative Figures

Certain 2002 figures have been reclassified to conform to 2003 presentation.

Note 22 Budget

The College is required to submit a budget, approved by the Board of Governors of the College, to the Minister of Alberta Learning. The College budget for the year ended June 30, 2003 was approved by the Board of Governors on May 2, 2002. The budget for Olds College Centre for Innovation Inc. (OCCI) was approved by the Board of Directors of OCCI on June 3, 2002.

Note 23 Commitments

In order to manage its exposure to the volatility in the electrical industry, the Board of Governors entered into a five year contract to fix its electricity cost at an average of 8.7 cents per kilowatt hour. This contract will terminate on December 31, 2005. Based on 2003 consumption, the annual costs for the year ending June 30, 2004 are expected to be $820,000.

Note 24 Approval of Financial Statements

The Board of Governors approved these financial statements.

PORTAGE COLLEGE
FINANCIAL STATEMENTS
JUNE 30, 2003

Auditor's Report

Statement of Financial Position

Statement of Operations

Statement of Changes in Net Assets

Statement of Cash Flows

Notes to the Financial Statements

Schedule 1 - Continuing Education Programming

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Governors of Portage College

I have audited the statement of financial position of Portage College (the "College") as at June 30, 2003 and the statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
September 26, 2003

PORTAGE COLLEGE

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2003

	2003	2002 (As restated Note 3)
ASSETS		
Current:		
Cash and cash equivalents (Note 4)	$ 2,257,975	$ 2,615,438
Investments (Note 5)	403,933	19,369
Accounts receivable (Note 6)	797,087	738,321
Inventories (Note 7)	169,183	189,393
Prepaid expenses	115,100	165,652
	3,743,278	3,728,173
Non-current cash and cash equivalents (Note 4)	439,484	288,159
Capital assets (Note 8)	32,713,830	33,816,717
	$ 36,896,592	$ 37,833,049
LIABILITIES AND NET ASSETS		
Current:		
Accounts payable and accrued liabilities	$ 425,397	$ 623,447
Accrued vacation pay	1,219,180	1,152,679
Unearned revenue (Note 9)	219,182	98,255
Deferred contributions (Note 10)	751,514	955,357
	2,615,273	2,829,738
Unamortized deferred capital contributions (Note 12)	29,148,937	30,206,573
	31,764,210	33,036,311
Net assets:		
Operating		
Unrestricted net assets	303,563	89,517
Internally restricted net assets (Note 13)	883,926	868,402
Invested in capital assets	3,564,893	3,610,144
	4,752,382	4,568,063
Endowments (Note 4)	380,000	228,675
	5,132,382	4,796,738
	$ 36,896,592	$ 37,833,049

The accompanying notes and schedule are part of these financial statements.

PORTAGE COLLEGE

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED JUNE 30, 2003

	2003		2002
	Budget	Actual	Actual
	(Note 24)		(As restated Note 3)
Revenue:			
Grants and provincial government contributions (Note 22)	$ 13,173,420	$ 13,588,170	$ 13,105,429
Tuition and related fees	2,731,084	2,341,931	2,437,167
Contract income	840,606	1,064,815	1,053,317
Sales, rentals and services (Note 14)	1,625,686	1,465,746	1,512,172
Donations and contributions	8,000	91,254	33,659
Investment income (Note 15)	80,000	112,416	129,998
Amortization of deferred capital contributions (Note 12)	1,079,723	1,079,315	1,036,230
Miscellaneous	136,027	447,672	183,862
	19,674,546	20,191,319	19,491,834
Expense (Note 16):			
Salaries, wages and benefits (Note 17)	12,014,985	12,552,721	12,092,751
Supplies and services	4,829,598	4,823,759	4,919,849
Utilities	810,654	808,767	764,308
Scholarships and bursaries	95,000	80,964	62,748
Amortization	1,707,378	1,740,789	1,538,046
	19,457,615	20,007,000	19,377,702
Excess of revenue over expense	$ 216,931	$ 184,319	$ 114,132

The accompanying notes and schedule are part of these financial statements.

PORTAGE COLLEGE

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2003

	2003					2002
	Unrestricted Net Assets	Internally Restricted Net Assets (Note 13)	Invested in Capital Assets	Endowments (Note 4)	Total	Total (As restated Note 3)
Excess of revenue over expense	$ 184,319	$ -	$ -	$ -	$ 184,319	$ 114,132
Endowment contributions received	-	-	-	151,325	151,325	168,675
Transfers for:						
Internally restricted net assets (Note 13)	(15,524)	15,524	-	-	-	-
Amortization of internally funded capital assets	662,519	-	(662,519)	-	-	-
Acquisition of internally funded capital assets	(617,268)	-	617,268	-	-	-
Increase (decrease) in net assets	214,046	15,524	(45,251)	151,325	335,644	282,807
Net assets, beginning of year	89,517	868,402	3,610,144	228,675	4,796,738	4,513,931
Net assets, end of year	$ 303,563	$ 883,926	$ 3,564,893	$ 380,000	$ 5,132,382	$ 4,796,738

The accompanying notes and schedule are part of these financial statements.

PORTAGE COLLEGE

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2003

	2003	2002 (As restated Note 3)
Cash generated from (used by):		
Operating activities:		
Excess of revenue over expense	$ 184,319	$ 114,132
Non-cash transactions		
Amortization of deferred capital contributions (Note 12)	(1,079,315)	(1,036,230)
Amortization of capital assets	1,740,789	1,538,046
Loss on sale of capital assets - externally funded	1,045	543
	846,838	616,491
Changes in non-cash working capital (Note 19)	(202,469)	313,235
Cash generated from operating activities	644,369	929,726
Investing activities:		
Net decrease (increase) in non-current cash	(151,325)	546,841
Acquisition of capital assets - internally funded	(617,268)	(1,788,513)
Acquisition of capital assets - externally funded	(21,679)	(146,539)
Cash applied to investing activities	(790,272)	(1,388,211)
Financing activities:		
Capital contributions (Note 11)	21,679	61,539
Endowment contributions - external	151,325	168,675
Cash generated from financing activities	173,004	230,214
Increase (decrease) in cash, cash equivalents and investments	27,101	(228,271)
Cash, cash equivalents and investments at beginning of year	2,634,807	2,863,078
Cash, cash equivalents and investments at end of year	$ 2,661,908	$ 2,634,807

The accompanying notes and schedule are part of these financial statements.

PORTAGE COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2003

ote 1 Authority and Purpose

Portage College (the "College") was established as a public vocational college on May 14, 1997 by the Lieutenant Governor in Council under the authority of the Colleges Act, Chapter C-19, Revised Statutes of Alberta 2000 as amended.

Primarily serving communities in northeastern Alberta, the College provides instruction and training to assist adult learners through academic upgrading programs and career entry training in business, human services, trades, technical and service industries. The College maintains a special interest in providing programs to aboriginal communities.

ote 2 Significant Accounting Policies and Reporting Practices

(a) Revenue Recognition

(i) Unrestricted Contributions

Unrestricted operating grants and contributions are recognized as revenue in the period when receivable.

(ii) Restricted Contributions

Externally restricted non-capital grants and contributions are deferred and recognized as revenue in the period when related expenses are incurred.

Externally restricted capital contributions are recorded as deferred capital contributions until the amount is invested in capital assets. Amounts invested representing externally funded capital assets are then transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded.

Restricted contributions for the purchase of capital assets which will not be amortized are recorded as direct increases in net assets.

Externally restricted contributions for endowment purposes are not recognized as revenue, but are recorded as direct increases in net assets.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(a) (iii) Investment Income

Investment income subject to external restrictions is, depending on the nature of the restrictions, recorded as a direct increase to net assets, or is deferred and recognized as revenue in the period the related expenses are incurred.

Unrestricted investment income is recognized in the year it is earned.

(iv) Donations

Donations and contributions in kind are recorded at fair value when such value can reasonably be determined.

(v) Program Delivery

Revenue from tuition fees, education contract programs and sale of goods and services is recognized as revenue in the period in which the goods are delivered or the services are provided.

Revenue from long-term education contracts is determined on the percentage of completion method. Provision is made for all anticipated losses as soon as they become evident.

(b) Investments

All investments are held as temporary investments and are valued at the lower of cost or market.

(c) Inventories

Inventories for resale are valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis. Inventories held for consumption are valued at the lower of cost and replacement value.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(d) Capital Assets and Collections

Capital assets are recorded at cost, except donated assets which are recorded at fair value, when fair value can be reasonably determined.

Capital assets are amortized on a straight-line basis over the following estimated average useful lives:

Buildings and site improvements	20 - 40 years
Trailers	20 years
Furniture, vehicles and other equipment	5 - 10 years
Library holdings	5 - 10 years
Computer equipment	4 years
Computer software	5 years
Rental books	2 years
Leasehold improvements	Life of lease

Art collections are recorded at cost and are not amortized. Donated artwork collections are recorded at fair value, when determinable.

(e) Pension Plan Expense and Obligation

The College participates in the Public Service Pension Plan and the Management Employees Pension Plan. These pension plans are multiemployer defined benefit pension plans, that provide pensions for the College's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the cost of employer contributions, for its employees during the year, based on rates which are expected to provide for benefits payable under the respective pension plan. The College's portion of the pension plans' deficit or surplus is not recorded by the College.

(f) Financial Instruments

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these instruments.

Note 3 Restatement

An adjustment was made to retroactively correct an understatement of capital assets and amortization related to rental book purchases in 2001-2002.

The June 30, 2002 financial statements have been restated as follows:

	As previously reported	Change	As Restated
Capital assets	$ 33,750,636	$ 66,081	$ 33,816,717
Invested in capital assets	3,544,063	66,081	3,610,144
Supplies and services	5,007,957	(88,108)	4,919,849
Amortization	1,516,019	22,027	1,538,046
Excess of revenue over expense	48,051	66,081	114,132

Note 4 Cash and cash equivalents and Endowments

	2003		2002	
	Cost	Market Value	Cost	Market Value
Consolidated Cash Investment Trust Fund	$ 1,898,285	$ 1,898,285	$ 1,661,549	$ 1,661,549
Bankers Acceptances and Treasury Bills	434,845	435,405	802,343	802,343
Cash	364,329	364,329	439,705	439,705
	2,697,459	2,698,019	2,903,597	2,903,597
Held as non-current cash and cash equivalents	(439,484)	(439,484)	(288,159)	(288,159)
Held as cash and cash equivalents	$ 2,257,975	$ 2,258,535	$ 2,615,438	$ 2,615,438

The Consolidated Cash Investment Trust Fund ("CCITF") of the Province of Alberta is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed income securities with a maximum term to maturity of three years. Interest is earned on the daily cash balance at the average rate of earnings of the CCITF, which varies depending on the prevailing market interest rates.

Bankers Acceptances and Government of Canada Treasury Bills all mature within one year. The weighted average effective yield of 3.15% represents the rate which discounts future cash receipts to the carrying value at June 30, 2003.

ote 4 Cash and cash equivalents and Endowments (continued)

The amount held as non-current cash and cash equivalents represents funds not available for current operations and includes endowments and net assets internally restricted for capital purposes, as outlined below.

	2003	2002
Endowments [1]	$ 380,000	$ 228,675
Board restricted capital funds (Note 13)	59,484	59,484
	$ 439,484	$ 288,159

[1] Endowments are comprised of the following:

	2003	2002
Board of Governors Award	$ 310,000	$ 158,675
Trans Canada-Student Bursary	25,000	25,000
Northlands Park Achievement Award	20,000	20,000
Alberta Pacific Bursary	20,000	20,000
Xerox- Outstanding Business Careers Student Award	3,000	3,000
Alberta Pacific Native Cultural Arts Award	2,000	2,000
	$ 380,000	$ 228,675

Of the net assets restricted for endowment purposes, $357,500 (2002 - $206,175) is subject to externally imposed restrictions stipulating that the resources be maintained permanently. The Board of Governors has internally restricted $22,500 (2002 - $22,500) of unrestricted net assets to be held for endowment purposes. The purpose of the endowments are to award student scholarships and bursaries.

Note 5 Investments

	2003		2002	
	Cost	Market Value	Cost	Market Value
Government of Canada bonds	$ 80,648	$ 82,919	$ -	$ -
Provincial bonds	45,030	45,900	-	-
Corporate bonds	64,111	66,353	-	-
Equities	214,144	218,355	19,369	19,369
	$ 403,933	$ 413,527	$ 19,369	$ 19,369

The College recognizes the need to effectively manage all financial resources. The College employs cash and fund management practices, in order to maximize the amounts available for investment. Donations and surplus cash will be invested in order to maximize return while minimizing loss.

The Board of Governors has approved investment guidelines on asset mix, diversification, quality, liquidity and nature of securities, and term constraints.

Government of Canada bonds have a weighted average term to maturity of 6.0 years and stated interest rate of 4.38%. The average effective yield on these securities is 4.28%.

Provincial bonds have a weighted average term to maturity of 5.1 years and stated interest rate of 3.67%. The average effective yield on these securities is 3.64%.

Corporate bonds have a weighted average term to maturity of 10.1 years and stated interest rate of 5.76%. The average effective yield on these securities is 5.63%.

Term to maturity of bonds is based upon the contractual maturity of the security. Effective yields represent the rate that discounts future cash receipts to the carrying value at June 30, 2003. Risk is reduced by the requirement that all bonds must be rated "A" or better by the Dominion Bond Rating Service or an equivalent recognized rating agency.

Note 6 Accounts Receivable

	2003	2002
Accounts receivable	$ 811,727	$ 1,062,041
Allowance for doubtful accounts	(14,640)	(323,720)
	$ 797,087	$ 738,321

ote 7 Inventories

	2003	2002
Bookstore and native cultural art supplies	$ 136,900	$ 148,622
Cafeteria supplies	22,881	32,614
Printing supplies	2,363	3,671
Other	7,039	4,486
	$ 169,183	$ 189,393

ote 8 Capital Assets

	2003			2002 (As restated Note 3)
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Buildings and site improvements	$ 31,267,068	$ 2,570,717	$ 28,696,351	$ 29,428,043
Land	500,000	-	500,000	500,000
Rental books	346,893	237,603	109,290	74,800
Computer equipment	2,205,429	1,683,694	521,735	650,370
Furniture	36,670	22,018	14,652	18,116
Vehicles	406,407	228,917	177,490	253,781
Other equipment	786,145	305,640	480,505	491,348
Library holdings	600,421	341,012	259,409	293,734
Trailers	792,649	140,123	652,526	692,158
Computer software	1,132,214	526,399	605,815	556,431
Software development in progress	-	-	-	83,745
Artwork	346,300	-	346,300	346,300
Leasehold improvements	495,958	146,201	349,757	427,891
	$ 38,916,154	$ 6,202,324	$ 32,713,830	$ 33,816,717

Software development includes license fees, direct costs and salary costs for those employees dedicated to the Agresso financial system development project.

Note 9 Unearned Revenue

	2003	2002
Tuition fees	$ 192,387	$ 90,491
Other	26,795	7,764
	$ 219,182	$ 98,255

Note 10 Deferred Contributions

The deferred contributions balance represents amounts accounted for in accordance with the accounting policy described in Note 2 (a) (ii).

	2003	2002
Restricted contributions received during the period:		
Conditional grants	$ 1,154,487	$ 2,077,085
Restricted endowment investment income (Note 15)	8,549	2,597
	1,163,036	2,079,682
Transferred to revenue:		
Conditional grants	(1,352,540)	(1,345,037)
Restricted endowment investment income (Note 15)	(4,660)	(1,600)
	(1,357,200)	(1,346,637)
Transferred to deferred capital contributions (Note 11)	(9,679)	(26,998)
Increase (decrease) during the year	(203,843)	706,047
Balance at beginning of year	955,357	249,310
Balance at end of year	$ 751,514	$ 955,357

Deferred contributions at the end of the year are restricted for the following purposes:

	2003	2002
Deferred maintenance	$ 540,657	$ 915,933
Program funding	197,534	4,991
Student scholarships and bursaries	13,323	9,433
One time equipment and facility funding	-	25,000
	$ 751,514	$ 955,357

Note 11 Deferred Capital Contributions

The deferred capital contributions balance represents amounts accounted for in accordance with the accounting policy described in Note 2 (a) (ii).

	2003	2002
Donations received during the year	$ 12,000	$ -
Conditional grants received during the year	-	34,541
Transferred from deferred contributions (Note 10)	9,679	26,998
	21,679	61,539
Transferred to unamortized deferred capital contributions (Note 12)	(21,679)	(146,539)
(Decrease) increase during the year	-	(85,000)
Balance at beginning of year	-	85,000
Balance at the end of year	$ -	$ -

Note 12 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions balance represents amounts accounted for in accordance with the accounting policy described in Note 2 (a) (ii).

	2003	2002
Balance at beginning of year	$ 30,206,573	$ 31,096,264
Transferred from deferred capital contributions (Note 11)	21,679	146,539
Less amount amortized to revenue	(1,079,315)	(1,036,230)
Balance at end of year	$ 29,148,937	$ 30,206,573

Note 13 Internally Restricted Net Assets

Net assets internally restricted by the Board represent amounts set aside by the College's Board of Governors to be used for the following designated purposes. These amounts are not available for other purposes without approval of the Board.

	2003	2002
Capital:		
Campus Development Fund - Capital	$ 55,470	$ 55,470
Housing Development Fund - Capital	4,014	4,014
	59,484	59,484
Operating:		
Program Development	391,875	391,875
Professional Services - Transition Fund	234.479	234.479
Financially Assisted Education Leave	100,000	84,476
Emergency Facility Repair	78,088	78,088
Student Needs - Quality of life	20,000	20,000
	824,442	808,918
	$ 883,926	$ 868,402

Note 14 Sales, Rentals and Services

	Revenue	Direct Expense	2003 Net	2002 Net
Food Services	$ 261,345	$ 273,170	$ (11,825)	$ (47,166)
Housing	588,749	651,752	(63,003)	(67,085)
Bookstore and Native Art Sales	586,213	470,412	115,801	105,321
Community Use	29,439	29,426	13	129
	$ 1,465,746	$ 1,424,760	$ 40,986	$ (8,801)

In addition to the direct expenses, facility amortization related to sales, rentals and services for the year was $186,304. This allocation was calculated based on square footage occupied.

te 15 Investment Income

	2003	2002
Investment earnings	$ 116,305	$ 130,995
Add amounts transferred from deferred contributions (Note 10)	4,660	1,600
Less amounts transferred to deferred contributions (Note 10)	(8,549)	(2,597)
Total investment income recognized as revenue	$ 112,416	$ 129,998

te 16 Expense by Function

	2003	2002 (As restated Note 3)
Instruction - Credit	$ 7,653,126	$ 7,458,373
Instruction - Non-Credit	387,781	368,667
Facilities operations and maintenance	4,308,086	3,635,849
Institutional support	2,224,874	2,108,809
Academic support	1,399,506	1,322,355
Student services	1,710,319	1,977,806
Ancillary services (Note 14)	1,611,064	1,454,892
Computing, network and communications	641,240	1,010,889
Fund raising	47,220	40,062
Sponsored Research	23,784	-
Total Expenses	$ 20,007,000	$ 19,377,702

Instruction encompasses all formal education and instructional program elements. Facilities operations and maintenance includes all costs of the daily operations of the buildings occupied by the College, property taxes and amortization on capital equipment and buildings. Institutional support includes all activities that provide institution-wide support to other programs. Academic support includes all activities that directly support the education and instruction elements such as academic administration, library and audio-visual services. Student services includes all activities or services to the student body of the institution such as counselling, recreation and registrar's office. Ancillary services include direct and indirect costs of operating food services, native art sales, community use, housing and bookstore. Computing, network and communications includes all costs expended to maintain the College's hardware and software. Fund raising includes guest speaker honoraria, event promotion and all other direct costs associated with the events.

Note 17 Salaries, Wages and Benefits

The following information is prepared in accordance with Treasury Board Directive No. 12/98:

	2003			2002
	Salary[1]	Benefits and Allowances[2]	Total	Total
Board Chair	$ 4,180	$ 183	$ 4,363	$ 3,641
Board Members (9 members)	8,140	148	8,288	13,660
President (3)	109,737	29,394	139,131	132,513
Vice President of Academics	95,815	16,018	111,833	106,744
Vice President of Student and College Services	87,492	16,240	103,732	97,377
Dean of Community and Industry Training	92,600	15,327	107,927	85,785
Dean of Academic Upgrading	78,681	13,572	92,253	85,217
Dean of Health, Business and Human Services	75,778	14,311	90,089	83,965
Manager Finance and Administration (4)	71,100	13,863	84,963	-
Registrar (4)	65,762	14,234	79,996	-

(1) Salaries includes regular base pay, bonuses, overtime, lump sum payments and honoraria.

(2) Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, short term and long term disability plans, and professional memberships required for employment.

(3) The President 's benefits include standard benefits available to all College employees as well as additional items negotiated in his contract including: an automobile, professional development allotment, memberships and cash in lieu of a fixed benefit amount.

(4) The Manager of Finance and Administration and the Registrar were not part of the executive committee in 2001-02 therefore comparators are not applicable.

Note 18 Pension Costs

The College participates in the Public Service Pension Plan and the Management Employees Pension Plan, which are multiemployer defined benefit plans. The pension expense recorded in these financial statements is equivalent to the College's annual contributions payable of $561,866 for the year ended June 30, 2003 (2002 - $513,177).

At December 31, 2002, the Management Employees Pension Plan reported a deficit of $301,968,000 (2001 - surplus - $5,338,000) and the Public Service Pension Plan reported a deficit of $175,528,000 (2001 - surplus - $320,487,000).

Note 19 Changes in Non-cash Working Capital

	2003	2002
Accounts receivable	$ (58,766)	$ (184,906)
Inventories	20,210	(26,229)
Prepaid expenses	50,552	(71,211)
Accounts payable and accrued liabilities	(198,050)	(117,307)
Accrued vacation pay	66,501	4,101
Unearned revenue	120,927	2,740
Deferred contributions	(203,843)	706,047
	$ (202,469)	$ 313,235

Note 20 Commitments

Future minimum annual lease payments under operating leases and other commitments are:

2004	$ 555.692
2005	432.653
2006	117.911
2007	30.516
2008 and thereafter	22.887

Note 21 Art Collection

The College's art collection is comprised of:

(a) Native Cultural Arts Museum Collection

The Native Cultural Arts Museum Collection consists of Aboriginal art and craft works, which have been collected from across Canada and the United States. The majority of the pieces were purchased from artists and dealers. Students, staff and guest instructors have donated numerous pieces to the Collection. Articles from the Collection are used for displays, both on and off campus, and for instructional support in the Native Cultural Arts programs. All pieces in the Collection are numbered, photographed and described in the Collection records.

(b) Other Art Works

The College has also acquired, either through purchases or donation, other art works, which are displayed throughout the College buildings. Approximately 85% of the art display depicts native heritage. The mediums include watercolor, silkscreens, black and white photography, color photography and reproduced prints. The remainder of the display depicts the surrounding areas and peoples of Lac La Biche.

Note 22 Related Parties

a) Significantly Influenced Organizations

(i) Lac La Biche Childcare Association

The College exercises significant influence over the Lac La Biche Childcare Association (the "Childcare Association") through a contractual arrangement whereby the children of students of the College are given priority placement and a maximum enrolment fee of $625 per month per child.

The Childcare Association is incorporated under the Societies Act of the Province of Alberta and exists to provide daycare services to Lac La Biche and surrounding communities.

The College, as owner of the buildings, provides the Childcare Association, at no charge, the space needed to operate a daycare, care taking services, repairs, heating, lighting, telephone, parking spaces, furniture and equipment. For the year ended June 30, 2003, the College incurred related expenses of $132,733 (2002- $120,001) on behalf of the Childcare Association, which are reflected in the College's statement of operations.

The College also provides $31,500 (2002-$31,500) annually to the Childcare Association to subsidize its operations. The College renewed its contract with the Childcare Association committing $31,500 for the year commencing July 1, 2003. There is an option to renegotiate and renew this contract at the completion of the contract.

ote 22 Related Parties (continued)

a) Significantly Influenced Organizations (continued)

(ii) Portage Aquatic Association

The Portage Aquatic Association (the "Aquatic Association") was incorporated under the Alberta Business Corporations Act. It operates the Aquatic Centre with the objective to encourage, promote and provide aquatic training and recreational opportunities to prospective patrons. The College has an agreement with the Aquatic Association to make available aquatic training and recreational opportunities to College staff and students.

As of July 1, 2002, the College entered into an agreement with the Aquatic Association, Lakeland County and the Town of Lac La Biche in which the College contributes annually a lump sum of $123,916. The term of this agreement is July 1, 2002 to June 30, 2005. Annual janitorial, management and all other maintenance costs are no longer paid by the College. During the year, the College incurred costs associated with the transition in the amount of $1,896. The College continues to own the building and recognized amortization in the amount of $45,602 for the current year.

In this agreement, the Aquatic Association has the ability to contract out maintenance. In 2002-2003 the Aquatic Association chose to contract the maintenance back to the College. The College recognized $8,880 of revenue from this maintenance contract.

On behalf of students and to provide recreational programming, the College purchased $10,474 (2002-$14,092) in services from the Aquatic Centre during the year ended June 30, 2003.

Note 22 Related Parties (continued)

b) Alberta Government and Alberta Post Secondary Education Institutions

The College is a Provincial Corporation. All of the members of the Board of Governors are appointed pursuant to the Colleges Act or by a combination of orders by the Lieutenant Governor in Council and the Minister of Learning. The College accounts for all significant costs related to the services for which it is responsible.

In the normal course of operations, the College engages in brokerage and other collaborative arrangements with other post-secondary educational institutions in Alberta. These institutions are also Provincial Corporations.

The College had the following transactions with related parties:

	Alberta Government		Post Secondary Collaboration	
	2003	2002	2003	2002
Revenues:				
Alberta Learning:				
Operating contributions	$ 12,235,630	$ 11,760,392	$ -	$ -
Conditional contributions received	1,097,873	2,077,085	-	-
Other provincial departments and agencies received	56,613	-	-	-
Contributions received during the year	13,390,116	13,837,477	-	-
Conditional contributions deferred from prior years	945,924	240,874	-	-
Less contributions deferred at the end of the year	(738,191)	(945,924)	-	-
Less transfers to deferred capital contributions	(9,679)	(26,998)	-	-
Earned Government of Alberta contributions	13,588,170	13,105,429	-	-
Contract income	80,802	68,777	28,300	99,589
Sales, services and rental income	-	-	-	2,400
	$ 13,668,972	$ 13,174,206	$ 28,300	$101,989
Expenses	$ 2,903	$ 72,983	$ 32,040	$156,594
Accounts receivable	$ 292,380	$ 185,877	$ 4,066	$ 250
Accounts payable	$ 629	$ 387	$ 1,454	$ 8,519

te 22 Related Parties (continued)

c) Joint Venture

On December 18, 1998, the Lieutenant Governor in Council approved the establishment of a corporation, to be owned equally by Portage College, Northern Lakes College, NorQuest College and Bow Valley College. On February 10, 1999, 818196 Alberta Ltd. was incorporated pursuant to the Alberta Business Corporations Act.

The Corporation was created for the purpose of holding jointly developed intellectual property transferred from her Majesty the Queen in Right of the Province of Alberta as represented by the Minister of Learning. The fair value of the intellectual property transferred is not determinable. As at June 30, 2003, this Corporation was not active.

Note 23 Contingent Liability

The College is a defendant in a legal proceeding that arose due to cancellation of a program. While the outcome of this proceeding cannot be predicted at this time, it is the opinion of management that the resolution of this claim will not have a material effect on the financial statement of the College, and it has not been reflected in these statements.

Note 24 Budget

The College is required to submit a budget, approved by the Board of Governors of the College, to the Minister of Alberta Learning for his approval. The Board of Governors approved the College's Budget on May 13, 2002.

Note 25 Funds Held on Behalf of Others

The following funds, held by the College on the behalf of others, are not included in these financial statements:

	2003	2002
Portage Aquatic Association	$ 170,528	$ 11,495
Faculty Association	130,320	97,083
Employee Funded Leave	71,869	41,679
Other Funds Held	52,742	16,101
Security Deposits Held	15,700	9,800
	$ 441,159	$ 176,158

Note 26 Comparative Figures

The 2002 figures have been reclassified and restated where necessary to conform to 2003 presentation.

Note 27 Approval of Financial Statements

These financial statements were approved by the Board of Governors.

Schedule 1 Continuing Education Programming

	2003							2002
	Trades, Technical & Safety Training	Forestry Programs	Health Training	Computer & Office Training	Driver Training	Other	Total	Total
Revenue	$ 937,110	$ 299,607	$ 221,437	$ 26,831	$ 126,352	$ 69,279	$ 1,680,616	$ 1,700,983
Less:								
Direct Expenses:								
Salaries, wages and benefits	425,642	140,416	123,614	5,437	90,777	47,379	833,265	867,910
Supplies and bad debt expense	220,689	122,718	57,699	14,745	41,898	6,005	463,754	569,668
	646,331	263,134	181,313	20,182	132,675	53,384	1,297,019	1,437,578
Indirect costs (1)	95,307	43,902	27,717	4,561	15,098	6,471	193,056	281,884
Excess (Deficiency) of revenue over expense	$ 195,472	$ (7,429)	$ 12,407	$ 2,088	$ (21,421)	$ 9,424	$ 190,541	$ (18,479)

The College actively works with industry, native communities and other organizations to provide customized training on a cost recovery basis. The College expects Continuing Education departments to cover all direct costs plus an estimated amount to cover indirect costs to deliver these programs - see footnote below.

Any revenues and expenditures related to Continuing Education program delivery can be grouped within any or all of the categories on the statement of operations.

(1) The amounts shown as indirect costs are calculated based on a percentage of gross program revenue on a scale ranging from 0% to a maximum of 20%.

RED DEER COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2003

Auditor's Report

Consolidated Statement of Financial Position

Consolidated Statement of Revenue and Expense

Consolidated Statement of Changes in Net Assets

Consolidated Statement of Cash Flow

Notes to the Consolidated Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Governors of Red Deer College

I have audited the consolidated statement of financial position of Red Deer College as at June 30, 2003 and the consolidated statements of revenue and expense, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

FCA
Auditor General

Edmonton, Alberta
September 4, 2003

RED DEER COLLEGE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2003

	2003	2002
ASSETS		
Current:		
Cash	$ 2,356,694	$ 343,819
Short term investments (Note 3)	8,172,078	9,273,857
Accounts receivable	1,522,760	2,642,469
Inventories	818,273	457,529
Prepaid expenses	276,876	222,626
	13,146,681	12,940,300
Investments (Note 3)	6,475,878	10,633,849
Art collections (Note 4)	1,262,221	920,635
Capital assets (Note 5)	55,948,415	56,299,046
	$ 76,833,195	$ 80,793,830
LIABILITIES AND NET ASSETS		
Current:		
Accounts payable and accrued liabilities	$ 5,707,220	$ 5,643,204
Accrued vacation pay	3,112,671	2,682,975
Unearned revenue	1,733,726	1,197,641
Deferred contributions (Note 6)	2,570,288	3,121,701
Current portion of long-term debt (Note 9)	168,198	157,773
Current portion of capital lease obligation (Note 8)	289,464	465,158
	13,581,567	13,268,452
Long-term portion of capital lease obligation (Note 8)	224,332	404,406
Long-term debt (Note 9)	4,921,974	5,090,172
Deferred contributions for capital purposes (Note 7)	844,112	5,250,248
Unamortized deferred capital contributions (Note 11)	37,789,064	37,219,183
	57,361,049	61,232,461
Net assets:		
Endowments (Note 12)	5,631,766	5,383,601
Investment in capital assets and art collections	13,817,604	13,882,989
Internally restricted (Note 13)	22,776	262,330
Unrestricted net assets	-	32,449
	19,472,146	19,561,369
	$ 76,833,195	$ 80,793,830

The accompanying notes are part of these financial statements.

RED DEER COLLEGE

CONSOLIDATED STATEMENT OF REVENUE AND EXPENSE

FOR THE YEAR ENDED JUNE 30, 2003

	Budget (Note 22)	2003	2002
Revenue:			
Grants, Province of Alberta (Note 14)	$ 25,013,700	$ 29,132,981	$ 25,587,203
Educational contracts	1,046,000	1,477,894	1,243,039
Tuition and related fees (Note 15)	12,807,000	13,273,441	11,800,719
Ancillary services (Note 16)	5,979,300	6,252,389	5,739,447
Sales, rentals and services	1,076,000	1,363,416	1,434,974
Investment income (Note 17)	780,000	387,694	1,734,762
Donations and interest	449,000	766,045	853,156
Amortization of deferred capital contributions (Note 11)	1,940,000	2,323,183	1,853,984
Gain on disposal of land (Note 18)	-	109,978	-
	49,091,000	55,087,021	50,247,284
Expense:			
Salaries and benefits	31,515,061	33,523,268	30,469,034
Supplies and services	10,182,939	13,551,906	11,745,333
Utilities	1,580,000	1,773,222	1,473,824
Scholarships and bursaries	280,000	305,024	242,350
Cost of goods sold	2,243,000	2,446,165	2,134,372
Amortization and write down of capital assets	3,290,000	3,824,824	4,168,616
	49,091,000	55,424,409	50,233,529
Excess (deficiency) of revenue over expense	$ -	$ (337,388)	$ 13,755

RED DEER COLLEGE

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2003

	2003					2002
	Endowments (Note 12)	Investment in Capital Assets and Art Collections	Internally Restricted (Note 13)	Unrestricted Net Assets	Total	Total
Beginning of year	$ 5,383,601	$ 13,882,989	$ 262,330	$ 32,449	$ 19,561,369	$ 19,124,572
Excess (deficiency) of revenue over expense				(337,388)	(337,388)	13,755
Endowments received	210,751				210,751	282,862
Interest income added to endowment principal (Note 17)	37,414				37,414	140,180
Transfers:						
Purchase of capital assets		814,726		(814,726)	-	-
Amortization		(1,379,187)		1,379,187	-	-
Net book value of capital assets disposed		(122,454)		122,454	-	-
Write down of capital leases					-	-
Repayment of long-term debt and capital lease		621,530		(621,530)	-	-
Transfer from unrestricted to endowments					-	-
Board allocation from internally restricted net assets			(239,554)	239,554	-	-
	$ 5,631,766	$ 13,817,604	$ 22,776	$ -	$ 19,472,146	$ 19,561,369

RED DEER COLLEGE
CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2003

	2003	2002
Cash generated from operating activities:		
Excess of revenue over expense	$ (337,388)	$ 13,755
Add:		
Amortization of capital assets	3,824,824	4,168,616
Amortization of deferred capital contributions	(2,323,183)	(1,853,984)
	1,164,253	2,328,387
Changes in non-cash working capital accounts (Note 20)	1,183,099	6,143,035
Cash generated from operating activities	2,347,352	8,471,422
Investing activities:		
Acquisition of capital assets and collections		
Internally funded	(814,726)	(679,659)
Externally funded	(2,893,064)	(12,365,764)
Capital Lease	(107,989)	(755,612)
Disposal of long-term investments	4,157,971	8,655,965
Cash generated from (applied to) investing activities	342,192	(5,145,070)
Financing activities:		
Repayment of long-term debt	(157,773)	(147,998)
Capital Lease	107,989	755,612
Repayment of capital lease	(463,757)	(452,997)
Capital contributions (transfer to operating) (Note 7)	(1,513,072)	3,095,826
Endowments contribution	248,165	423,042
Cash generated from (applied to) financing activities	(1,778,448)	3,673,485
Increase in cash and short-term investments	911,096	6,999,837
Cash and short-term investments net of bank indebtedness, at beginning of year	9,617,676	2,617,839
Cash and short-term investments net of bank indebtedness, at end year	$ 10,528,772	$ 9,617,676

Note 1 Authority and Purpose

Red Deer College operates under the authority of the Colleges Act, RSA 2000 c. C-19.

The College provides a wide range of quality educational opportunities designed to promote success of learners and the enrichment of life in the communities it serves. The College is mandated to provide certificates, diplomas, and a wide variety of non-credit offerings through adult development programs, career-oriented studies, trades training, and university undergraduate studies.

The College is exempt from the payment of income tax under Section 149 of the Income Tax Act.

Note 2 Significant Accounting Policies and Reporting Practices

(a) Consolidation

The financial statements include the accounts of the College and the Red Deer College Foundation.

(b) Revenue Recognition

Operating grants are recognized in the period when receivable. Operating grants received for a future period are deferred until that future period.

Capital grants are recorded as deferred contributions until the amount is invested in capital assets. Amounts invested representing funded capital assets are then transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded. The related portion of amortization expense and the deferred capital contributions revenue are matched to indicate that the related amortization expense has been funded.

Restricted contributions and pledges are recognized as revenue if the amounts have been received and the related expenses have been incurred. Unrestricted contributions and pledges are recognized as revenue when received.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(b) Revenue Recognition (continued)

Unrestricted cash donations are recognized as revenue when they are received. Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

Donations of capital assets that will not be amortized, and artwork collections are recognized as direct increases in net assets. Permanent impairment in values of these items is recognized as reduction in net assets.

Externally restricted non-capital contributions are deferred and are recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for purposes designated by external parties. Any externally restricted contributions containing stipulations that the amounts should be retained as net assets, or that the contributions should not be expended, are recorded as direct increases in net assets. Such stipulations would include contributions made for endowment purposes or to be used to acquire non-amortizable property.

(c) Inventories

Inventories of merchandise for resale are valued at the lower of cost and net realizable value. Substantially all inventories are valued using the retail method of determining cost. Inventories of supplies for consumption are valued at the lower of cost and replacement value.

(d) Investments

Investments are recorded at cost or amortized cost. Amortization of discount or premium is on a straight-line basis over the life of the investment. Gains or losses on sales of investments are recognized as investment income in the year of sale. Where an impairment in the value of the investment is other than temporary, a charge to income will be recognized as an unrealized loss on investments.

(e) Art Collections

Art collections are recorded at cost except for donated items, which are recorded at fair market value at the time of receipt. The recorded amount is reduced for any subsequent permanent impairment.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(f) Capital Assets

Capital assets are amortized on a straight-line basis over the following average useful lives:

Buildings and site improvements	40 years
Furnishings, equipment and vehicles	10 years
Library	10 years
Computer software	5 years
Computer hardware	5 years
Computer leases	3 years

(g) Employee Future Benefits

The College participates in the Local Authorities Pension Plan. This pension plan is a multi-employer defined benefit pension plan that provide pensions for the College's participating employees, based on years of service and earnings.

Pension cost is disclosed as a part of salaries and wages and are comprised of the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the Local Authorities Pension Plan. The College's portion of the pension plan's deficit or surplus is not recorded by the College.

(h) The financial instruments consist of short-term investments, accounts receivable, accounts payable and accrued liabilities, accrued vacation pay, long-term debt and capital leases. Financial instruments are initially recorded at cost. If subsequent circumstances indicate that a decline in fair value of a financial instrument is other than temporary, the financial asset is written down to its fair value. The fair value of accounts receivable and accounts payable and accrued liabilities approximates their carrying value due to the short time to receipt or payment of cash. The fair value of long-term debt and capital leases approximates their carrying value as the average interest rate charged is consistent with the college incremental borrowing rate. The fair value of accrued vacation pay is not readily determinable as there are no conditions for the timing of repayment.

The financial instruments that are exposed to credit risk consist of accounts receivable.

The capital lease and long-term debt have fixed interest rates and are exposed to interest rate price risk.

Red Deer College is exposed to foreign exchange rate risk as they have purchase transactions in the United States currency.

Note 3 Investments

Investments are summarized as follows:

	2003	2002
Treasury bills and other	$ 8,901,372	$ 11,858,483
Bonds and coupons	4,746,584	8,007,289
Stocks and equity mutual funds	1,000,000	41,934
	14,647,956	19,907,706
Held as long-term investments	(6,475,878)	(10,633,849)
Short-term investments	$ 8,172,078	$ 9,273,857

The market value of the investments is as follows:

Treasury bills and other	$8,929,456
Bonds and coupons	4,886,606
Stocks and equity mutual funds	1,000,006

The College's exposure to interest rate risk at June 30, 2003 relates to its investments portfolio of $14,647,956. The College's fixed income investments of $13,647,956 have an effective interest rate of 3.08%. The rate of return on the balance of the portfolio, comprised of mutual fund and stock holdings, is dependent on the fund's performance.

Note 3 Investments (continued)

These investments mature as follows:

	Cost
Non maturing (Mutual Funds and Equities	$ 1,000,000
2004	10,140,084
2005	83,723
2006	252,743
2007	600,803
2008	605,594
2009	1,123,607
2010	189,697
2012	329,092
2013	63,995
2028	110,935
2029	147,683
	$ 14,647,956

Note 4 Art Collections

Art collections represent paintings, sketches and drawings held to further the College's education and research activities.

Note 5 Capital Assets

(a) Summary of Cost and Net Book Value

	2003			2002
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land and improvements	$ 10,126,042	$ 150,842	$ 9,975,200	$ 9,442,428
Buildings and site improvements	67,501,830	28,323,240	39,178,590	40,066,081
Library	1,149,815	763,804	386,011	369,822
Furnishings and equipment	17,507,173	11,670,153	5,837,020	5,738,973
Computer software	3,265,367	2,868,974	396,393	504,627
Vehicles	404,236	229,035	175,201	177,115
	$ 99,954,463	$ 44,006,048	$ 55,948,415	$ 56,299,046

(b) Donations in Kind

During the year there were donations in kind of equipment in the amount of $412,722 (2002 - $0).

(c) Capital Lease

Furnishings and equipment include leased computer equipment with a cost of $1,353,353 (2002 - $1,283,438) and a net book value of $322,911 (2002 - $666,991).

(d) Assets under construction are included in buildings and site improvements with a cost of $8,305 (2002 - $9,596,702) and amortization will commence when the assets are put in service.

(e) Site servicing costs with a fair value of $109,978 are included in land and improvements. As these improvements relate to the CollegeSide development, which was under construction at June 30, 2003, no amortization has been recorded in the period.

Note 6 Deferred Contributions

Deferred contributions represent unspent contributions externally restricted for non-capital purposes.

	2003	2002
Contributions:		
Grants	$ 4,518,726	$ 6,639,804
Donations	574,001	644,219
Interest	112,902	432,392
	5,205,629	7,716,415
Transfer from deferred capital contributions	2,596,661	411,436
	7,802,290	8,127,851
Transferred to revenue:		
Grants	7,437,457	4,962,378
Donations and Interest	816,411	853,156
	8,253,868	5,815,534
Transfers to Other Organizations	-	23,600
Transfers to Endowment	99,835	59,949
	99,835	83,549
Increase (decrease) during the year	(551,413)	2,228,768
Deferred contributions at beginning of year	3,121,701	892,933
Deferred contributions at end of year	$ 2,570,288	$ 3,121,701

The balance consists of funds restricted for:

	2003	2002
Infrastructure renewal projects	$ -	$ 1,262,233
Program expansion	2,056,200	915,000
Other non capital projects	-	549,011
Scholarships and bursaries	514,088	395,457
	$ 2,570,288	$ 3,121,701

Note 7 Deferred Contributions for Capital Purposes

Deferred contributions for capital purposes represent unspent capital funds.

	2003	2002
Grants	$ 2,302	$ 789,407
Donations	1,081,287	2,331,279
Interest	-	386,576
	1,083,589	3,507,262
Transfer to deferred contributions	2,596,661	411,436
	(1,513,072)	3,095,826
Transfer to unamortized deferred capital contributions (Note 11)	2,893,064	12,365,764
Decrease during the year	(4,406,136)	(9,269,938)
Deferred contributions at beginning of year	5,250,248	14,520,186
Deferred contributions at end of year	$ 844,112	$ 5,250,248
The balance consists of funds restricted for:		
Expansion project	$ -	$ 4,674,913
Other capital projects (Note 14)	844,112	575,335
	$ 844,112	$ 5,250,248

Note 8 Capital Lease Obligation

Capital lease obligation is comprised of the following:

Capital lease at 6.67% interest rate expiring December 16, 2003	$ 2,149
Capital lease at 6.71% interest rate expiring May 1, 2003	5,027
Capital lease at 6.43% interest rate expiring July 1, 2004	63,467
Capital lease at 5.28% interest rate expiring December 1, 2004	33,431
Capital lease at 5.35% interest rate expiring February 5, 2005	51,452
Capital lease at 5.28% interest rate expiring March 1, 2005	21,706
Capital lease at 5.83% interest rate expiring May 1, 2003	62,069
Capital lease at 5.83% interest rate expiring May 1, 2005	184,891
Capital lease at 5.06% interest rate expiring July 1, 2006	7,959
Capital lease at 4.95% interest rate expiring Dec 1, 2005	47,630
Capital lease at 5.29% interest rate expiring Feb 1, 2006	13,923
Capital lease at 0.00% interest rate expiring March 1, 2006	20,092
	$ 513,796

The obligations are secured by the equipment under capital lease.

Future minimum lease payments are due as follows:

2004	$ 313,614
2005	206,114
2006	20,304
	540,032
Less amount representing interest	26,236
	513,796
Less current portion	289,464
	$ 224,332

Note 9 Long-Term Debt

Long-term debt is summarized as follows:

	Principal Outstanding	
	2003	2002
Student residences, debenture maturing November 1, 2007 at 7.25% per annum interest	$ 328,139	$ 387,847
Student residences, debenture maturing April 3, 2025 at 6.25% per annum interest	2,548,391	2,602,020
Student residences, debenture maturing April 2, 2026 at 6.00% per annum interest	2,213,642	2,258,078
Total long-term debt	5,090,172	5,247,945
Less current portion	168,198	157,773
	$ 4,921,974	$ 5,090,172

The repayment of principal in the next five fiscal years is as follows:

2004	168,198
2005	179,318
2006	191,180
2007	203,833
2008	173,948

The student residences loans are secured by a general security agreement over all proceeds derived directly or indirectly from the operations of the residence buildings.

Note 10 Pension Costs

The pension expense recorded in these financial statements is equivalent to the College's annual contributions payable of $1,211,000 for the year ended June 30, 2003 (2002 - $1,095,309).

At December 31, 2002 the Local Authorities Pension Plan reported a deficit of $444,980,000 (2001 – surplus $634,960,000)

Note 11 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the funded portion of capital assets, which will be recognized as revenue in future periods. Changes in the unamortized deferred capital contributions balance are as follows:

	2003	2002
Balance at beginning of year	$ 37,219,183	$ 26,707,403
Add amount transferred from deferred contributions (Note 7)	2,893,064	12,365,764
Less amount amortized to revenue	(2,323,183)	(1,853,984)
	$ 37,789,064	$ 37,219,183

Note 12 Endowments

Endowments are comprised of externally and internally restricted amounts, which are required to be maintained intact except where a donor or the Board of Governors, for internally restricted amounts, agrees to a reallocation for expendable purposes unless otherwise restricted. The terms of certain endowments require the College to maintain the real value of the endowments. Accordingly, a portion of annual investment income earned on the endowment is added to the principal amount. Internally restricted endowments amounted to $1,820,886 in 2003 (2002 $1,809,171).

Note 13 Planned Expenditures and Net Assets Internally Restricted

Planned expenditures and net assets internally restricted are held for the following purposes. These amounts are not available for other purposes without the approval of the Board of Governors.

	2003	2002
Innovative instruction	$ 139,205	$ 194,474
Undesignated donations to fund special projects	-	67,856
Planned expenditures	139,205	262,330
Planned expenditures in excess of available net assets	(116,429)	-
Net assets internally restricted	$ 22,776	$ 262,330

Note 14 Related Party Transactions

The College is a Provincial Corporation as all the members of the Board of Governors are appointed through the College Act by a combination of orders by the Lieutenant Governor in Council and the Minister of Learning. Transactions between the College and the Province are disclosed as follows in the Consolidated Statement of Revenue and Expense or as part of the deferred contributions balance on the Consolidated Statement of Financial Position:

	Revenue	Deferred Contributions	Deferred Capital Contributions
Operations grant	$ 20,758,692	$ -	$ -
Conditional performance	181,937	-	-
Access/Apprenticeship	3,548,726	2,056,200	23,217
Infrastructure renewal	3,726,641	-	820,895
Other	916,985	-	-
	$ 29,132,981	$ 2,056,200	$ 844,112

Note 15 Tuition Fees

	2003	2002
Tuition Fee Revenue (from programs under the tuition fee policy):	$8,535,126	$8,101,864
Net operating expenditures	33,401,407	30,480,186
Tuition fee revenue as a % of net operating expenditures	26%	27%

The information above provides a calculation of the ratio of institution tuition fee revenue to net operating expenditures, and demonstrates institution performance with respect to the 30% tuition fee ceiling. The information was prepared in accordance with Section 3 of the Tuition Fee Regulation.

Note 16 Ancillary Services

Ancillary services results are as follows:

	Revenue	Direct Expense	2003 Net	2002 Net
Bookstore	$ 3,249,633	$ 2,874,709	$ 374,924	$ 320,465
Student residences	2,003,797	1,527,764	476,033	381,439
Child care centres	516,569	514,324	2,245	12,198
Parking and security	482,390	396,738	85,652	88,895
	$ 6,252,389	$ 5,313,535	$ 938,854	$ 802,997

Note 17 Investment Income

	2003	2002
Investment earnings in the year	$ 538,010	$ 2,693,910
Amounts deferred in the year	(112,902)	(432,392)
Amounts deferred to capital	-	(386,576)
Investment earnings on endowments	(37,414)	(140,180)
Investment earnings on unrestricted resources	$ 387,694	$ 1,734,762

Note 18 Gain on Disposal of Land

Prior to June 30, 2003 the College entered into an agreement with the David Thompson Regional Health Authority to construct a long-term care facility on College premises. Pursuant to this agreement the College has agreed to provide a long-term lease on land with a fair market value of $1,766,400. As consideration for this transaction the College will receive building and equipment in the amount of $1,350,000 and cash reimbursements up to $416,400 to defray the costs of negotiating the lease and the site servicing costs.

As at June 30, 2003 the College has recorded a gain on disposal of land in the amount of $109,978 which represents the amounts recorded relating to site servicing. In addition the College has recorded $100,947 related to reimbursements to lease negotiation costs as sales, rentals and services revenue.

Note 19 Salaries and Benefits

	2003				2002	
	Number of Individuals (3)	Salary(1)	Benefits and Allowances(2)	Total	Number of Individuals (3)	Total
Chairman of the Board	1	$ 3,000	$ -	$ 3,000	1	$ 3,000
Board members	8	16,083	237	16,320	8	14,445
President	1	141,420	21,455	162,875	1	175,472
Vice President Education	1	122,130	12,191	134,321	1	129,193
Vice President Administrative Services	1	116,315	10,970	127,285	1	121,933
Executive Director, Human Resources	1	108,138	25,885	134,023	1	116,891
Executive Director of Advancement	1	102,989	12,057	115,046	0.8	83,818
		$ 610,075	$ 82,795	$ 692,870		$ 644,752

(1) Salary includes regular base pay, sabbatical salaries, overtime and honoraria.

(2) Employer's share of all employee benefits and contributions or payments made on behalf of employees including Local Authorities Pension, Teachers' Retirement Fund, Canada Pension Plan, employment insurance, workers' compensation, health care, dental coverage, extended health care, group life and accidental death and dismemberment insurance, professional memberships and tuitions, travel allowances and vacation payouts.

(3) Full-time staff consists of all individuals working 35 hours or more per week.

Note 20 Changes in Non-Cash Working Capital

	2003	2002
Accounts receivable	$ 1,119,709	$ 688,040
Inventories	(360,744)	(75,351)
Prepaid expenses	(54,250)	(32,429)
Accounts payable and accrued liabilities	64,016	3,038,395
Accrued vacation pay	429,696	91,509
Unearned revenue	536,085	204,103
Deferred contributions	(551,413)	2,228,768
	$ 1,183,099	$ 6,143,035

Note 21 Commitment

Prior to June 30, 2003, the College entered into agreements for the construction and renovation of buildings. These projects are on going and the College's contractual obligation subsequent to year-end is estimated at $1,150,566 (2002 - $5,083,000).

Note 22 Budget

The budget was approved by the Board of Governors on April 8, 2002.

Note 23 Comparative Figures

Certain 2002 figures have been reclassified to conform to the 2003 presentation.

Note 24 Approval of Financial Statements

These consolidated financial statements have been approved by the Board of Governors.

The Northern Alberta Institute of Technology

Consolidated Financial Statements

June 30, 2003

Auditor's Report

Consolidated Statement of Financial Position

Consolidated Statement of Operations and Changes in Net Assets

Consolidated Statement of Cash Flow

Notes to the Consolidated Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Governors of the Northern Alberta Institute of Technology

I have audited the consolidated statement of financial position of the Northern Alberta Institute of Technology as at June 30, 2003 and the consolidated statements of operations and changes in net assets and cash flow for the year then ended. These financial statements are the responsibility of the Institute's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Institute as at June 30, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
September 24, 2003

THE NORTHERN ALBERTA INSTITUTE OF TECHNOLOGY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2003

(in thousands)

	2003	2002
ASSETS		
Current:		
Cash and Short-term investments (Note 3)	$ 1,219	$ 2,318
Account receivable (Note 4)	4,321	4,846
Contributions and pledges receivable (Note 5)	2,205	1,523
Inventories (Note 6)	3,447	4,011
Prepaid expenses	985	1,010
	12,177	13,708
Contributions and pledges receivable (Note 5)	3,802	2,502
Long-term investments (Note 3)	27,666	26,168
Capital assets (Note 7)	173,945	174,065
	$ 217,590	$ 216,443
LIABILITIES AND NET ASSETS		
Current:		
Accounts payable & accrued liabilities	$ 11,323	$ 15,635
Accrued vacation pay	10,554	10,076
Unearned revenue	6,530	6,443
Current portion of long term leases (Note 8)	236	264
Current portion of long term debt (Note 9)	139	137
Deferred contributions (Note 10)	5,618	6,865
	34,400	39,420
Deferred contributions for capital purposes (Note 11)	1,598	547
Long-term leases (Note 8)	312	167
Long-term debt	-	138
Unamortized deferred capital contributions (Note 12)	99,529	97,879
	135,839	138,151
Net Assets:		
Unrestricted net assets (deficiency) (Note 13)	(970)	(5,098)
Invested in capital assets (Note 7)	73,729	75,480
Endowments (Note 14)	8,992	7,910
	81,751	78,292
	$ 217,590	$ 216,443

The accompanying notes are part of these financial statements.

THE NORTHERN ALBERTA INSTITUTE OF TECHNOLOGY

CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2003

(in thousands)

	2003				2002
	Unrestricted	Invested in Capital Assets	Endowment	Total	Total
Revenue:					
Grants	$ 92,038			$ 92,038	$ 84,518
Earned revenue programs	24,467			24,467	23,256
Tuition and other fees	24,448			24,448	20,149
Ancillary services (Note 15)	14,421			14,421	13,246
Amortization of deferred capital contributions	6,273			6,273	5,497
Sales, rentals, services and other	4,131			4,131	4,166
Investment earnings (Note 16)	1,373			1,373	3,378
Fundraising and donations	2,178			2,178	1,785
	169,329	-	-	169,329	155,995
Expense (Note 17)					
Salary & benefits (Note 18)	109,446			109,446	102,393
Supplies & services (Note 19)	36,987			36,987	35,977
Amortization of capital assets	12,229			12,229	11,157
Utilities	6,727			6,727	4,814
Facilities rentals	552			552	1,068
Scholarships, bursaries & prizes	765			765	629
Loss on disposal of capital assets	246			246	181
	166,952	-	-	166,952	156,219
Excess (deficit) of revenue over expense	2,377	-	-	2,377	(224)
Net Endowment contributions (Note 14)	-	-	1,082	1,082	562
Amortization of assets acquired with unrestricted net assets	5,956	(5,956)	-	-	-
Book value of capital assets disposed	327	(327)	-	-	-
Purchases of capital assets:					
NAIT HP Centre for Information and Communications Technology	(838)	838	-	-	-
Other capital assets	(4,751)	4,751	-	-	-
Reduction of Temporary Financing of NAIT HP Centre (Note 13)	1,474	(1,474)	-	-	-
Repayment of long term lease	(278)	278	-	-	-
Repayment of long term debt	(139)	139	-	-	-
Change in Net asset balance	4,128	(1,751)	1,082	3,459	338
Net asset (deficiency) balance, beginning of year	(5,098)	75,480	7,910	78,292	77,954
Net asset (deficiency) balance, end of year	$ (970)	$ 73,729	$ 8,992	$ 81,751	$ 78,292

THE NORTHERN ALBERTA INSTITUTE OF TECHNOLOGY

CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE YEAR ENDED JUNE 30, 2003

(in thousands)

	2003	2002
Cash provided from (used in) operating activities:		
Excess (deficit) of revenue over expense	$ 2,377	$ (224)
Non-cash transactions:		
Amortization of capital assets	12,229	11,157
Loss on disposal of assets	246	181
Amortization of deferred capital contributions	(6,273)	(5,497)
Cash generated from operations	8,579	5,617
Changes in non-cash working capital accounts (Note 20)	(4,562)	5,011
	4,017	10,628
Cash provided from (used in) investing activities:		
Acquisition of capital assets:		
Externally funded		
NAIT HP Centre for Information and Communications Technology	(3,699)	(17,280)
Other	(2,750)	(1,805)
Internally funded		
NAIT HP Centre for Information and Communications Technology	(838)	(12,190)
Other	(4,751)	(4,250)
Capital lease financed	(393)	-
Long term debt financed	(3)	(275)
	(12,434)	(35,800)
Proceeds from disposal of capital assets	81	161
(Purchase of) proceeds from long-term investments - net	(1,498)	10,863
	(13,851)	(24,776)
Cash provided from (used in) financing activities:		
Deferred contributions for capital purposes	7,461	12,041
Long-term leases	116	(220)
Long-term debt	(137)	275
Endowment contributions	1,295	823
	8,735	12,919
Net (decrease) in cash and short-term investments	(1,099)	(1,229)
Cash and short-term investments, beginning of year	2,318	3,547
Cash and short-term investments, end of year	$ 1,219	$ 2,318

THE NORTHERN ALBERTA INSTITUTE OF TECHNOLOGY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2003
(in thousands)

Note 1 Authority and Purpose

The Northern Alberta Institute of Technology (the "Institute") operates under the authority of the Technical Institutes Act, Chapter T-3, Statutes of Alberta 2000. The Institute offers career-orientated training in business, computer systems, architectural and engineering technologies, environmental and laboratory technologies, health sciences, hospitality and applied arts for the economic development of Alberta and Canada. The Institute is exempt from payment of income tax under Section 149 of the Income Tax Act.

Note 2 Significant Accounting Policies and Reporting Practices

a) Consolidation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the accounts of the Institute, The Northern Alberta Institute of Technology Foundation (operating as NAIT Development Office) and the Institute's proportionate interest in a joint venture with the Southern Alberta Institute of Technology and the British Columbia Institute of Technology.

In preparing the Institute's consolidated financial statements management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the period. Management believes its estimates to be appropriate, however, actual results could differ from these estimates.

b) Revenue Recognition

Externally restricted non-capital contributions are deferred and are recognized as revenue in the period in which the related expenses are incurred. Non-capital donations of materials and services that would otherwise have been purchased are accounted for as externally restricted non-capital contributions, at fair value when a fair value can be reasonably estimated.

Externally restricted capital contributions are recorded as deferred contributions until the amount is invested in capital assets. Capital donations of assets that would otherwise be purchased are accounted for as externally restricted capital contributions at fair value when a fair value can be reasonably estimated. Contributions for capital assets that will be amortized are transferred to unamortized deferred capital contributions in the period the asset is acquired. Contributions for capital assets that will not be amortized, such as land, are not transferred to unamortized deferred capital contributions or recognized as revenue but are recorded as direct increases in net assets in the period the asset is acquired.

Unamortized deferred capital contributions are recognized as revenue in the periods in which the related capital assets are amortized. The related portion of amortization expense and the deferred capital contributions revenue are matched to indicate how the related amortization expense has been funded. Unamortized deferred capital contributions relating to capital assets disposed of are recognized as revenue in the period of disposal, provided that compliance with all restrictions have been met.

Government grants are accounted for as unrestricted contributions or externally restricted contributions in accordance with the terms of funding.

Investment earnings on externally restricted contributions are deferred until restrictions have been met. Externally restricted contributions made for endowment purposes are not recognized as revenue, but are recorded as direct increases in net assets.

Amounts received for tuition fees, contract programs and sales, rentals and services are classified as unearned revenue and recognized as revenue in the period the goods are delivered or the services provided.

Pledges that can be reasonably estimated and where ultimate collection is reasonably assured are recorded as an asset, with the corresponding amount being recorded as fundraising and donations revenue, deferred contributions or endowments as applicable.

c) Inventories

Inventories of merchandise for resale are valued at the lower of average cost and net realizable value. Inventories of supplies for consumption are valued at the lower of average cost or replacement value.

d) Financial Instruments

The fair values of the Institute's accounts receivable, accounts payable and accrued liabilities, and accrued vacation pay approximate their carrying values due to the relatively short periods to maturity of the instruments.

e) Capital Assets

Capital assets are amortized on a straight-line basis over the following average useful lives:

Buildings and renovations	40 years
Site improvements	10 years
Leasehold improvements	Lease term
Furnishings, equipment and vehicles	2 to 10 years
Software	2 to 5 years
Library holdings	10 years

f) Employee Future benefits

The Institute and its eligible employees participate in the Local Authorities and Management Employees Pension Plans. These plans are multi-employer defined benefit pension plans, administered by the Alberta Pensions Administration Corporation and provide pensions for the Institute's employees based on years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the respective pension plan. The Institute's portion of the pension plans' deficit or surplus is not recorded by the Institute.

Note 3 Cash, Short-term Investments and Long-term Investments

Cash, short-term investments and long-term investments are recorded at cost or amortized cost, less provision for decline in fair value that is other than temporary. Fair value is based upon the quoted market price of the securities. Gains or losses are recognized as investment income in the year of sale.

The Institute's investment policy is dedicated to optimizing the return on investment while ensuring that the assets of the Institute are at all times prudently invested while minimizing the potential for loss of capital.

Specific guidelines have been established with respect to asset mix, diversification, security, and performance measurement as well as quality, liquidity and term constraints.

a) Cash and Short-term Investments

In addition to cash on hand and on deposit, Cash and Short-term investments, consisting of Banker's Acceptances and Government of Canada Treasury Bills, all mature within one year and bear interest at a weighted average of 3.23% (2002: 2.64%). The effective yield of 3.23% (2002: 2.64%) represents the rate which discounts future cash receipts to the carrying value at June 30, 2003. Carrying value of these securities approximates fair value.

The Institute manages an additional $1,457 (2002: $1,631) of short-term investments as Funds Held on Behalf of Others (Note 25), which are not included in the consolidated financial statements.

The Institute's investment guidelines restrict holdings of short-term investments to high quality and liquid securities where rate of return performance standard is the return on 91-day Canadian Treasury Bills.

b) Long-term Investments

	2003		2002	
	Recorded Value	Market Value	Recorded Value	Market Value
		(in thousands)		
Government of Canada bonds	$ 6,127	$ 6,328	$ 6,064	$ 6,256
Provincial bonds	4,668	4,972	3,682	3,702
Corporate bonds	4,639	4,817	4,299	4,527
Equities	12,062	12,340	11,950	12,968
Other	170	168	173	181
	$ 27,666	$ 28,625	$ 26,168	$ 27,634
Equities are comprised of:				
Canadian equities	$ 5,778	$ 6,349	$ 6,557	$ 7,784
Foreign equities	6,284	5,991	5,393	5,184
	$ 12,062	$ 12,340	$ 11,950	$ 12,968

The carrying value of the Institute's foreign equities investment is in excess of market value as at June 30, 2003. These investments have not been reduced to their market value as, based on management's best judgment, the decline is deemed to be temporary in nature.

	2003	2002
Government of Canada Bonds		
Weighted average years to maturity	4.5 years	4.1 years
Weighted average interest rate	5.13%	5.96%
Effective yield based on purchase price	4.70%	5.81%
Provincial Bonds		
Weighted average years to maturity	8.8 years	10.3 years
Weighted average interest rate	5.73%	6.49%
Effective yield based on purchase price	5.19%	5.76%
Corporate Bonds		
Weighted average years to maturity	7.3 years	6.8 years
Weighted average interest rate	5.99%	6.75%
Effective yield based on purchase price	5.93%	6.56%

Term to maturity of bonds is based upon the contractual maturity of the security. Effective yields represent the rate that discounts future cash receipts to the purchase price.

In accordance with the Institute's investment guidelines, risk on long-term investment is managed by:

- requiring that all bonds be rated "A" or better by the Dominion Bond Rating Service or an equivalent recognized rating agency;
- holding a diversified selection of Canadian equities with a minimum of twenty securities and limiting exposure in any one security or issuer to 10% of the equity portfolio.
- limiting investment in foreign equities to a maximum of 50% of the market value of the total equity portfolio with no funds invested in emerging markets.

Note 4 Accounts Receivable

	2003	2002
	(in thousands)	
Canadian accounts receivable	$ 4,057	$ 4,113
Foreign accounts receivable	105	580
Accrued interest on investment	159	153
	$ 4,321	$ 4,846

Note 5 Contributions and Pledges Receivable

	2003	2002
	(in thousands)	
NAIT HP Centre for Information and Communications Technology		
Pledged donations	$ 1,823	$ 1,443
Alberta Government contribution	1,158	-
Centre for Culinary Arts	856	-
Centre for Chemical Studies	754	998
Student Awards Endowments	470	729
General student awards	439	525
Centre for Welding Technology	181	330
Infrastructure projects	148	-
Other projects	132	-
Hands on Learning Endowments	46	-
	$ 6,007	$ 4,025
Presented as:		
Current contributions and pledges	$ 2,205	$ 1,523
Non-current contributions and pledges	3,802	2,502
	$ 6,007	$ 4,025

Note 6 Inventories

	2003	2002
	(in thousands)	
Bookstore	$ 1,810	$ 2,523
Resources & Environment	471	465
General stores	348	267
Applied Building Sciences	243	253
Maintenance	226	141
Mechanical & Manufacturing Technology	158	167
Electrical & Electronics Technology	136	136
Other	55	59
	$ 3,447	$ 4,011

Note 7 Capital Assets

a) Summary of Cost and Net Book Value

	2003			2002
	Cost & Appraised Value	Accumulated Amortization	Net Book Value	Net Book Value
	(in thousands)			
Land	$ 31,736	$ -	$ 31,736	$ 31,734
Buildings, leasehold and site improvements	183,300	66,037	117,263	78,706
Furnishings, equipment and vehicles	72,848	52,874	19,974	18,145
Software	6,640	5,175	1,465	2,643
Leased equipment	1,716	831	885	704
Library	2,788	1,818	970	847
Projects in progress	1,652	-	1,652	41,286
	$ 300,680	$ 126,735	$ 173,945	$ 174,065

b) Net Book Value of Capital Assets are comprised as follows:

	2003	2002
	(in thousands)	
Externally funded (unamortized deferred capital contributions - Note 12)	$ 99,529	$ 97,879
Internally funded (invested in capital assets)	73,729	75,480
Long-term leases (Note 8)	548	431
Long-term debt (Note 9)	139	275
	$ 173,945	$ 174,065

c) Capital Acquisitions

Capital acquisitions during the year included certain donations in kind with a fair value of $1,197 (2002: $938).

Note 8 Long-term Leases

The following is a schedule of future minimum payments as of June 30, 2003 under capital leases:

	(in thousands)
2004	$ 236
2005	236
2006	100
2007	100
2008	26
Total minimum lease payments	698
Less: long-term lease premium	(150)
	$ 548
Balance comprised of:	
Current portion of long-term leases	$ 236
Long-term leases	312
	$ 548

Note 9 Long-term Debt

The Institute has mortgaged certain property which requires payment of $139 in 2004 at no interest providing the payments are made by the due date specified in the mortgage.

	(in thousands)
2004 (Current portion of debt)	$ 139
Total	$ 139

Note 10 Deferred Contributions

Deferred contributions represent unspent funds externally restricted for non-capital purposes.

	2003	2002
	(in thousands)	
Contributions:		
Grants	$ 12,668	$ 11,204
Fundraising & donations	2,353	1,797
Earned revenue programs	348	336
Investment earnings	292	488
	15,661	13,825
Transferred to:		
Grants revenue	(14,207)	(9,784)
Fundraising & donations	(1,896)	(1,371)
Earned revenue programs	(363)	(335)
Investment earnings (Note 16)	(431)	(368)
Special Staff Development Fund	(11)	(11)
Endowments (Note 14)	-	(51)
	(16,908)	(11,920)
(Decrease) increase during the year	(1,247)	1,905
Deferred contributions, beginning of year	6,865	4,960
Deferred contributions, end of year	$ 5,618	$ 6,865
The balance consists of funds restricted for/by:		
Access programs	$ 1,808	$ 2,165
Renovation projects	1,173	550
Scholarships and bursaries	1,141	1,372
Facilities Infrastructure Renewal	855	1,740
Other	352	576
Students Athletics	238	254
Project sponsorships	43	60
Learning Enhancement Envelope	8	148
	$ 5,618	$ 6,865

Note 11 Deferred Contributions for Capital Purposes

Deferred contributions for capital purposes represent unspent funds externally restricted for capital purposes.

	2003	2002
	(in thousands)	
Contributions:		
Grants	$ 5,663	$ 2,063
Fundraising & donations	3,311	2,494
	8,974	4,557
Transferred to unamortized deferred capital contributions (Note 12)		
Acquisition of capital assets during year	(6,449)	(19,085)
Reduction of temporary financing of NAIT HP Centre	(1,474)	-
Increase (decrease) during the year	1,051	(14,528)
Deferred contributions for capital purposes, beginning of year	547	15,075
Deferred contributions for capital purposes, end of year	$ 1,598	$ 547

The balance consists of funds restricted for/by:

	2003	2002
Fuel Cell Applied Research Project	$ 856	$ -
Access programs	469	458
Other	273	89
	$ 1,598	$ 547

Note 12 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the external funding of capital assets which will be recognized as revenue in future periods. Changes in the unamortized deferred capital contributions are as follows:

	2003	2002
	(in thousands)	
Balance, beginning of year	$ 97,879	$ 84,291
Add:		
Amount transferred from deferred contributions for capital purposes (Note 11)		
Acquisition of capital assets during year	6,449	19,085
Reduction of temporary financing of NAIT HP Centre	1,474	-
Less:		
Amortization of deferred capital contributions	(6,273)	(5,497)
Balance, end of year	$ 99,529	$ 97,879

Note 13 Unrestricted Net Assets (Deficiency)

Unrestricted net assets represent the assets net of liabilities that are not invested in capital assets or held for endowment purposes.

The balance is represented by the following:

	2003	2002
	(in thousands)	
Unrestricted Net Assets before the temporary financing of the NAIT HP Centre for Information and Communications Technology	$ 7,229	$ 5,336
Temporary financing of the NAIT HP Centre for Information and Communications Technology	(8,199)	(10,434)
Unrestricted Net Assets (Deficiency)	$ (970)	$ (5,098)

The temporary financing of the NAIT HP Centre for Information and Communications Technology arises from the following:

	2003	2002
Recorded funding	$ 41,201	$ 33,794
Cost incurred	(49,400)	(44,228)
Temporary financing from Unrestricted Net Assets	$ (8,199)	$ (10,434)

The change in the temporary financing is due to the following:

External contributions	$ 1,474
Internal allocation of funds	761
Change in temporary financing	2,235
Temporary financing, beginning of year	(10,434)
Temporary financing, end of year	$ (8,199)

This temporary financing will be funded by contributions, pledges and internal capital allocations recorded during 2003/04 to 2006/07 in accordance with the capital financing plan of the Centre.

Note 14 Endowments

Endowments consist of restricted donations to the Institute, the principal of which is required to be maintained intact in perpetuity as well as any internal allocations by the Board. The investment income generated from endowments must be used in accordance with the various purposes established by the donors or the Board.

	2003	2002
	(in thousands)	
Fundraising and Donations	$ 1,082	$ 511
Transferred from Deferred Contributions (Note 10)	-	51
Increase during year	1,082	562
Endowments, beginning of year	7,910	7,348
Endowments, end of year	$ 8,992	$ 7,910
The balance consists of:		
Scholarships and bursaries	$ 6,639	$ 5,415
General	2,034	2,033
Staff Development	319	253
Business Conference	-	209
	$ 8,992	$ 7,910

Note 15 Ancillary Services

	2003			2002
	Revenue	Expense	Net	Net
		(in thousands)		
Bookstore	$ 13,306	$ 12,546	$ 760	$ 933
Food Services	4,277	3,478	799	619
Parking	1,548	395	1,153	647
	19,131	16,419	2,712	2,199
Less internal sales:				
Bookstore	(4,396)	(4,024)	(372)	(557)
Food Services	(306)	(306)	-	-
Parking	(8)	-	(8)	(32)
	$ 14,421	$ 12,089	$ 2,332	$ 1,610

Note 16 Investment Earnings

	2003	2002
	(in thousands)	
Investment earnings from unrestricted sources	$ 942	$ 3,010
Investment earnings from restricted sources (Note 10)	431	368
	$ 1,373	$ 3,378

Note 17 Segmented Financial Information

The following provides information on the Institute's operating segments, leading to the calculation of the tuition revenue and net program cost per full load equivalent student for the Certificate, Diploma and Applied Degree Programs, and the Apprenticeship Training Programs:

	Note	Certificate, Diploma & Applied Degree Programs	Apprenticeship Training Programs	Other Programs and Services	Total
a) **Full-load equivalent students (FLE)**	(i)				
2002/03		8,531	2,369		10,900
2001/02 (restated - see note iv)		8,551	2,130		10,681
b) **Tuition and earned revenue (in 000's dollars)**	(ii)				
2002/03					
Tuition and other fees		$ 18,734	$ 3,576	$ 2,138	$ 24,448
Earned revenue programs		6,959	-	17,508	24,467
		$ 25,693	$ 3,576	$ 19,646	$ 48,915
2001/02					
Tuition and other fees		$ 16,175	$ 3,206	$ 768	$ 20,149
Earned revenue programs (restated - see note iv)		6,361	-	16,895	23,256
		$ 22,536	$ 3,206	$ 17,663	$ 43,405
c) **Net program cost (in 000's dollars)**	(iii)				
2002/03					
Expenses per financial statements		$ 92,008	$ 35,461	$ 39,483	$ 166,952
Less cost recoveries		(474)	(210)	-	(684)
		$ 91,534	$ 35,251	$ 39,483	$ 166,268
2001/02 (restated - see note iv)					
Expenses per financial statements		$ 89,331	$ 33,129	$ 33,759	$ 156,219
Less cost recoveries		(424)	(200)	-	(624)
		$ 88,907	$ 32,929	$ 33,759	$ 155,595
d) **Tuition revenue per FLE (in dollars)**					
2002/03		$ 3,012	$ 1,509		
2001/02 (restated - see note iv)		$ 2,635	$ 1,505		
e) **Net program cost per FLE (in dollars)**					
2002/03		$ 10,730	$ 14,880		
2001/02 (restated - see note iv)		$ 10,397	$ 15,460		

Note (i) - Full Load Equivalent Students (FLE)
As defined by Alberta Learning, one full-load equivalent student reflects one student completing the full load for one year of study in a program, or several students combining to complete the equivalent of a normal full load.

Note (ii) - Tuition Revenue
Tuition Revenue for the Certificate, Diploma and Applied Degree segment consist of all tuition fees for credit FLE's, and include tuition fees from credit continuing education courses that are recorded in the Earned Revenue Programs line on the Consolidated Statement of Operations.

Tuition Revenue for the Apprenticeship Training Program segment consist of all fees charged to apprenticeship students in accordance with the rates approved by Alberta Learning.

Revenue for the Other Programs and Services segment consist of fees not subject to the Alberta Learning Tuition Fee Policy as well as all fees charged for non-credit continuing education courses, international education and athletics programs.

Note (iii) - Net Program Cost
Operating expenses are allocated to the operating segments based on the Provincial Program Costing Methodology as recommended by Alberta Learning.

Net program cost for the Other program and Services segment consists of all expenses not attributed to the Certificate, Diploma and Applied Degree and the Apprenticeship Training Program segment. It includes non-credit continuing education courses, international education projects, athletic programs, ancillary operations (Bookstore, Food Services and Parking) and expenses relating to fundraising events of the NAIT Development Office.

Note (iv) – Restatement of 2001/02 FLE, net program cost and revenue
Certain 2001/02 figures were restated to be consistent with current years presentation and the final approved FLE and net program cost.

Note 18 Salary & Benefits

(a) Pension Costs (Employee Benefits)

The pension expense recorded in Salary & benefits is equivalent to the Institutes' annual contributions payable of $4,845 for the year ended June 30, 2003 (2002 $4,148).

(b) Salary Disclosure

	2003			2002
	Salary[1]	Benefits and Allowances [2]	Total	Total
	(in thousands)			
Chairman of The Board	$ -	$ -	$ -	$ -
Board Members	-	-	-	-
President [3] [4]	231	14	245	213
Vice-Presidents				
Finance & Administration	155	14	169	162
Academic and Student Services	142	7	149	143
Advancement [5]	33	1	34	137
External Relations [6]	110	13	123	-
Academic Dean	106	14	120	113

(1) Salary includes regular base pay, performance bonuses, and lump sum payments and honoraria.

(2) Benefits and allowances include the Institute's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short and long-term disability plans and professional memberships required for employment.

(3) The President has been provided with an automobile by the Institute for which no amount is included in the benefits and allowances.

(4) The President received $17 and the Vice President Academic Services received a payment of $28 for vacation payouts. These amounts are not included in salary, benefits and allowances.

(5) The Vice President Advancement retired on September 30, 2002.

(6) The Institute abolished the position of Vice President Advancement and created the position Vice President External Relations effective October 1, 2002. The Salary and Benefits for this position is for the nine months ending June 30, 2003.

Note 19 Supplies and Services

Supplies and services are summarized by the following major groupings:

	2003	2002
	(in thousands)	
Cost of Goods Sold	$ 10,244	$ 9,859
Purchased labour	7,176	7,418
Classroom, lab and office supplies	5,678	5,199
Repairs, maintenance, renovations	5,367	5,425
Purchased services	2,787	2,748
Administrative expenses	2,497	2,231
Travel, Staff Development	1,979	1,925
Fundraising and donations	694	676
Meetings, hospitality	565	496
	$ 36,987	$ 35,977

Note 20 Changes in Non-Cash Working Capital Accounts

	2003	2002
	(in thousands)	
Accounts receivable	$ 525	$ 753
Contributions and pledges receivable	(682)	632
Inventories	564	(659)
Prepaid expenses	25	(524)
Accounts payable and accrued liabilities	(4,312)	1,883
Accrued vacation pay	478	554
Unearned revenue	87	467
Deferred contributions	(1,247)	1,905
	$ (4,562)	$ 5,011

Note 21 Commitments

The future minimum payments as of June 30, 2003 under operating leases:

2004	291
2005	280
2006	250
2007	241

Note 22 Contingent Liabilities

The Institute is a defendant in a number of legal proceedings. The Institute has recorded a provision in these financial statements based upon Management's estimates of the potential outcome of such proceedings. Additional costs of settling these claims, if any, will be charged to operations upon settlement, which in Management's opinion will not have a material effect on the financial position of the Institute.

Note 23 Partnership with Fairview College

On April 14, 2003 the NAIT and Fairview College Boards of Governors entered into a partnership agreement, approved by the Minister of Learning, where the NAIT Board will be responsible for the mandate currently being fulfilled by the Fairview College Board effective July 1, 2004.

During the transition period, to be completed by June 30, 2004, the focus will be on implementing the partnership in a smooth, fair and effective manner for students and staff at both institutions, with these efforts dedicated to the provision of quality programming.

The assets, liabilities, revenues and expenditures of Fairview College will be included in the NAIT financial statements effective July 1, 2004.

Note 24 Subsequent Event

Effective July 1, 2003 the Joint Venture with NAIT, SAIT and BCIT has been incorporated, with each party receiving an equal number of shares. This change will have no significant impact on the consolidated financial statements of the Institute.

Note 25 Funds Held on Behalf of Others

The Institute holds the following funds on behalf of others over which the Board has no power of appropriation. Accordingly, these funds are not included in the consolidated financial statements.

	2003	2002
	(in thousands)	
Government of Alberta Individual Learning Modules	$ 822	405
NAIT Student's Association	320	369
Government of Alberta Diagnostic Imaging Projects	145	247
Government of Alberta Apprenticeship Initiative	116	570
Alberta Association of Colleges and Technical Institutes	54	12
Virtual Global Village Association	-	28
	$ 1,457	$ 1,631

Note 26 Related Party Transactions

The Institute is a Provincial Corporation as all the members of the Board of Governors are appointed by statute (the Technical Institutes Act) or by combination of orders by the Lieutenant Governor-in-Council and the Minister of Learning.

The Institute received $ 93,030 in 2003 (2002: $96,402) of grants from the Province of Alberta. These amounts have been recognized as revenue in the consolidated statement of operations or included as unearned revenue, deferred contributions, deferred contributions for capital purposes or unamortized deferred capital contributions on the consolidated statement of financial position.

In 2003, the Institute provided courses to provincial government departments and participated in the development, sale and offering of certain courses with other public colleges and the Southern Alberta Institute of Technology. The revenues and expenses incurred for these have been included in the consolidated statement of operations but have not been separately quantified. These transactions were entered into on the same business terms as with non-related parties and are recorded at fair market value.

Note 27 Budget

The Institute's Board of Governors approved the following consolidated operating budget at the June 3, 2002 Board meeting. At that meeting, the Board also approved capital expenditures and appropriations of $6,000.

Revenue:	
Grants	$ 89,997
Tuition and other fees	24,928
Earned revenue programs	24,753
Ancillary services	13,835
Amortization of deferred capital contributions	8,100
Sales, rentals and services	2,706
Investment earnings	1,730
Fundraising and donations	1,500
	167,549
Expense:	
Salary & benefits	109,260
Supplies & services	36,302
Amortization of capital assets	14,100
Utilities	6,728
Facilities rentals	559
Scholarships and bursaries	500
Loss on disposal of assets	100
	167,549
Excess of revenue over expense	-
Adjust for non-cash items	
Amortization of capital assets	14,100
Amortization of deferred capital contributions	(8,100)
Cash available for capital budget and appropriation	6,000
Book value of disposed capital assets	116
Contribution to the annual capital budget	(3,920)
Contribution to campus expansion	(1,732)
Repayment of long term lease	(264)
Net Appropriation to internally restricted net assets	(200)
Balanced budget	$ -

Note 28 Approval of Financial Statements

These financial statements were approved by the Board of Governors.

SOUTHERN ALBERTA INSTITUTE
OF TECHNOLOGY
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2003

Auditor's Report

Consolidated Statement of Financial Position

Consolidated Statement of Operations

Consolidated Statement of Changes in Net Assets

Consolidated Statement of Cash Flows

Consolidated Statement of Supplementary Performance Information

Notes to the Consolidated Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Governors of the
Southern Alberta Institute of Technology

I have audited the consolidated statement of financial position of the Southern Alberta Institute of Technology as at June 30, 2003 and the consolidated statements of operations, changes in net assets, and cash flows for the year then ended. I have also audited the consolidated statement of supplementary performance information for the year ended June 30, 2003. These consolidated statements are the responsibility of the Institute's management. My responsibility is to express an opinion on these consolidated statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Institute as at June 30, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

In my opinion, the consolidated statement of supplementary performance information presents fairly, in all material respects, the Institute's performance in accordance with the disclosed basis of measurement and presentation as described in the notes to the statements.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
September 5, 2003

SOUTHERN ALBERTA INSTITUTE OF TECHNOLOGY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2003
(in thousands)

	2003	2002 (restated – Note 3)
ASSETS		
Current assets:		
Cash and short-term investments (Note 4)	$ 4,912	$ 8,061
Accounts receivable	6,675	7,815
Inventories (Note 6)	1,161	1,277
Prepaid expenses	978	730
	13,726	17,883
Long term receivable (Note 5)	544	606
Investments (Note 4)	38,555	38,185
Capital assets (Note 7)	199,896	203,624
	$ 252,721	$ 260,298
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities	$ 15,291	$ 16,647
Accrued vacation pay	7,555	8,239
Unearned revenue (Note 8)	4,421	4,272
Deferred salary plans	396	409
Deferred contributions (Note 10)	8,131	8,767
Current portion of long term liabilities (Note 12)	3,586	3,486
	39,380	41,820
Deferred capital contributions (Note 11)	13,919	15,031
Long term liabilities (Note 12)	56,638	59,995
Unamortized deferred contributions related to capital assets (Note 13)	75,976	76,643
	146,533	151,669
Net assets:		
Unrestricted net assets (deficiency)	(5,472)	(4,884)
Invested in capital assets (Note 14)	63,696	63,500
	58,224	58,616
Endowments (Note 15)	8,584	8,193
	66,808	66,809
	$ 252,721	$ 260,298

Commitments (Note 27) and Contingencies (Note 28)

Approved by the Board of Governors:

Douglas Mitchell, Chairman of the Board

John Allred, Chair of the Audit & Financial Governance Committee

The accompanying notes are part of these consolidated financial statements.

SOUTHERN ALBERTA INSTITUTE OF TECHNOLOGY
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2003
(in thousands)

	2003		2002
	Budget	Actual	Actual
	(Note 17)		(restated–Note 3)
Revenue:			
Grants	$ 79,298	$ 79,092	$ 80,191
Earned revenue programs	36,417	35,135	30,966
Tuition and related fees	24,072	26,708	22,866
Commercial services	17,726	16,760	14,949
Sales, rentals and services	7,342	5,164	3,410
Investment income (Note 4)	1,000	610	449
Donations, contributions and income on restricted contributions (Note 26)	1,000	7,094	5,260
	166,855	170,563	158,091
Amortization of deferred contributions related to capital assets (Note 13)	7,050	7,400	8,383
	173,905	177,963	166,474
Expense:			
Salaries, wages and benefits (Note 18)	106,798	103,481	101,990
Supplies and services (Note 26)	31,114	33,820	31,106
Repairs and maintenance	7,456	8,666	8,757
Utilities	6,777	7,398	7,690
Interest expense	4,260	4,301	3,813
Scholarships and projects	1,000	3,306	2,084
Amortization of capital assets	16,500	17,015	16,766
Loss on disposal of capital assets	-	368	895
	173,905	178,355	173,101
Deficiency of revenue over expense	-	$ (392)	$ (6,627)

SOUTHERN ALBERTA INSTITUTE OF TECHNOLOGY

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2003

(in thousands)

	2003					2002
	Unrestricted	**Investment in Capital Assets**	**Sub-Total**	**Endowments**	**Total**	**Total** (restated – Note 3)
Deficiency of revenue over expense	$ (392)	$ -	$ (392)	$ -	$ (392)	$ (6,627)
Transfers for:						
Acquisition of capital assets	(7,497)	7,497	-	-	-	-
Repayment of long-term liabilities related to capital assets	(3,258)	3,258	-	-	-	-
Amortization of capital assets	9,616	(9,616)	-	-	-	-
Disposition of capital assets	943	(943)	-	-	-	-
Endowment contributions	-	-	-	391	391	596
Increase (decrease) in net assets	(588)	196	(392)	391	(1)	(6,031)
Net assets, beginning of year	(4,884)	63,500	58,616	8,193	66,809	72,840
Net assets, end of year	$ (5,472)	$ 63,696	$ 58,224	$ 8,584	$ 66,808	$ 66,809

SOUTHERN ALBERTA INSTITUTE OF TECHNOLOGY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2003
(in thousands)

	2003	2002 (restated)
Operating Activities:		
Deficiency of revenue over expense	(392)	$ (6,627)
Non-cash transactions:		
Amortization of capital assets	17,015	16,766
Amortized deferred contributions related to capital assets (Note 13)	(7,400)	(8,383)
Loss on disposal of capital assets	368	895
	9,591	2,651
Changes in non-cash working capital (Note 23)	(1,532)	1,793
Cash generated from operating activities	8,059	4,444
Investing Activities:		
Decrease in long term receivable	62	153
Acquisition of capital assets	(14,230)	(29,459)
Redemption (purchase) of investments, net	(370)	1,677
Proceeds from disposal of capital assets	575	637
Cash used in investing activities	(13,963)	(26,992)
Financing Activities:		
Repayment of long term liabilities	(3,258)	(2,967)
Endowment contributions	391	596
Contributed equipment (Note 13)	2,137	2,315
Capital contributions (Note 11)	3,485	27,615
Construction payables	-	(8,878)
Cash generated from financing activities	2,755	18,681
(Decrease) in cash and short-term investments	(3,149)	(3,867)
Cash and short-term investments, beginning of year	8,061	11,928
Cash and short-term investments, end of year	$ 4,912	$ 8,061

SOUTHERN ALBERTA INSTITUTE OF TECHNOLOGY
CONSOLIDATED STATEMENT OF SUPPLEMENTARY PERFORMANCE INFORMATION
FOR THE YEAR ENDED JUNE 30, 2003

		2003		2002 (restated-Note 3)
Full-load equivalent students (Note 19)		11,271		10,601
Net cost per full-load equivalent student (Note 19)	$	13,656	$	14,293
Student hours (contact or equivalent) (Note 20)		9,408,969		8,930,371
Net cost per student hour (Note 20)	$	16	$	17

Students surveyed during the fiscal year who completed an Applied Degree, Diploma or Certificate program during the year ended June 30, 2002 (2001 for comparative figures) (Note 21):

		2003		2002
Annualized salary median for those with full-time Employment	$	30,000	$	30,000
Employment rate:				
Full-time		69%		70%
Contract, part-time or temporary		28%		26%
Overall		97%		96%

SOUTHERN ALBERTA INSTITUTE OF TECHNOLOGY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2003

Note 1 Authority

The Southern Alberta Institute of Technology operates under the authority of the Technical Institutes Act, Chapter T-3, Revised Statutes of Alberta 2000. The Institute provides educational programs to provide a skilled, productive work force for the economic development of Alberta and Canada. The Institute is exempt from payment of income tax and is also a registered charity under the Income Tax Act. The Institute was established as a board governed institution on April 1, 1982.

Note 2 Significant Accounting Policies

(a) General

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The measurement of certain assets and liabilities is contingent upon future events and, as such, the preparation of these financial statements requires the use of estimates, which may vary from actual results. These financial statements include supplementary performance information in accordance with the following guidelines:

(i) Supplementary performance information should be understandable, relevant, reliable and comparable. Supplementary performance information should be limited to a few key performance measures which influence decisions.

(ii) Supplementary performance information should include measurable information on the Institute's outputs.

(iii) Supplementary performance information should support efforts to evaluate cost effectiveness. Information on the costs of the Institute's outputs should be linked with information on the results these outputs achieve.

(b) Consolidated Statements

These consolidated financial statements include the accounts of The Learning Management Corporation, a wholly owned subsidiary incorporated under the Business Corporations Act of Alberta and the Institute's proportionate interest in a joint venture with the Northern Alberta Institute of Technology and the British Columbia Institute of Technology.

(c) Revenue Recognition

Operating grants, including grants from the Province of Alberta, are recognized as revenue, either in the period receivable, or, where a portion of the grant relates to a future period, the portion is deferred and recognized in the subsequent period.

Capital grants, including grants from the Province of Alberta, are recorded as deferred capital contributions until the amount is invested in capital assets. Amounts invested representing funded capital assets and contributions of property are then transferred to unamortized deferred contributions related to capital assets. Unamortized deferred contributions related to capital assets are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded. The related portion of amortization expense and the deferred capital contributions revenue are matched to indicate that the related amortization expense has been funded.

Unrestricted cash donations are recognized as revenue when they are received. Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

Externally restricted non-capital contributions are deferred and are recognized as revenue in the period in which the related expense is incurred. Externally restricted amounts can only be used for purposes designated by external parties. Any externally restricted contributions containing stipulations that the amounts should be retained as net assets or that the contributions should not be expended are recorded as direct increases in net assets. Such stipulations would include contributions made for endowment purposes or to be used to acquire non-amortizable property.

Amounts received for tuition fees, earned revenue programs, and sale of goods and services are classified as unearned and recognized as revenue at the time the goods are delivered or the services are provided.

(d) Investments

Investments are recorded at cost. Gains and losses on investments are recognized at realization, or when there is an other than temporary impairment in the value of an investment.

(e) Capital Assets

As determined by an independent appraisal as at April 1982, land is recorded at fair market value and buildings are recorded at amortized replacement cost. Subsequent additions are recorded at cost.

Furnishings, equipment and computer software are recorded at cost. Donated assets are recorded at fair market value at the time of receipt of the donation.

Capital assets are amortized on a straight-line basis over the following average useful lives:

Buildings	40 years
Renovations	25 years
Furnishings, equipment, and library	10 years
Computer servers	3 – 10 years
Vehicles	5 years
Computer hardware and software	3 years
Leasehold improvements	Length of lease

Construction in progress includes the direct construction costs and overhead costs directly attributable to the construction including engineering and legal fees and interest on specific debt attributed to the construction of capital assets. Capitalization of interest is discontinued when the asset is ready for use.

(f) Inventories

Inventory of bookstore merchandise is maintained using the first-in first-out method of costing. Materials, supplies and food stores inventory is maintained using average costing. All inventory is valued at the lower of cost or net realizable value.

(g) Employee Future Benefits

The Institute participates in the Local Authorities Pension Plan. This pension plan is a multi-employer defined benefit pension plans that provides pensions for the Institute's participating employees based on years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the respective pension plan. The Institute does not record the Institute's portion of the pension plans' deficit or surplus.

The Institute also provides employee future benefits in the form of compensated absences. Costs for these benefits are estimated using reasonable assumptions and are included in these financial statements.

(h) Financial Instruments

The fair values of the Institute's accounts receivable, accounts payable and accrued liabilities, and accrued vacation pay approximate their carrying values due to the relatively short periods to maturity of these instruments.

Note 3 Correction of Errors

As a result of an error in determining accounts payable as at June 30, 2001, accounts payable and corresponding expenses were understated by $939,172 in 2001. Similarly, in 2002, accounts payable was understated by $587,404 and expenses overstated by $351,768. As a result of an error in determining deferred contributions as at June 30, 2002, deferred contributions were understated by $225,000. In addition, revenues were overstated by $225,000. As a result of errors in student accounts receivable records, accounts receivable were overstated at June 30, 2002 by $630,094. In addition, revenues were overstated by $630,094. These errors impacted financial results and the deficiency of revenue over expense was understated by $939,172 in 2001, and by $503,326 in 2002.

These changes have been applied retroactively with restatement of comparatives. The impacts on the prior year financial statements are as follows:

	2002	2001
	(in thousands)	
Excess (deficiency) of revenue over expense:		
As previously reported	$ (6,125)	$ (2,264)
As restated	$ (6,627)	$ (3,203)
Net Assets:		
As previously reported	$ 68,252	$ 73,781
As restated	$ 66,809	$ 72,840

Note 4 Cash and Investments

	2003					2002	
	Cash	Short Term Investment	Long Term Investment	Total Cost	Market	Total Cost	Market
			(in thousands)			(in thousands)	
Cash	$ 4,423	-	-	4,423	4,423	7,168	7,168
Money market investments		485	30,544	31,029	31,110	31,218	31,285
Equities			8,010	8,010	7,604	7,801	7,548
Cash held by investment manager		4	1	5	5	59	59
Total	4,423	489	38,555	43,467	43,142	46,246	46,060

The Institute's investments are divided into two portfolios. The first portfolio encompasses operating funds designated for expenditures within five years and deferred salary plans. The objective is to provide a secure and consistent income flow at or above the rate of inflation. These funds must remain liquid. It is restricted as follows:

a) fixed income investments only,
b) quality constraint of BBB minimum (as per the Dominion Bond Rating Service) and no money market below Rl low
c) no single position, other than Government of Canada credits, at more than 10% of the portfolio.

The second portfolio is designated for long term working capital and restricted funds. The primary objectives are the preservation of capital and achieving a rate of growth in excess of inflation. This second portfolio is restricted to:

a) no more than 25% of the equity portion in small cap securities (less than $650 million market cap)
b) no fixed income investments below BBB and no money market below RI low.
c) no single position, other than Government of Canada credits, at more than 10% of the portfolio.

The overall rate of return for the year was 2.31% (2002- 3.99%). The effective yield on the money market investments is 3.13% (2002–3.02%). Money market investments mature within 90 days while bond investments have a maturity date of no greater than 2 years. Market value of these investments approximates fair value.

The carrying value of the Institute's equity investments is in excess of fair market value as at June 30, 2003. These investments have not been reduced to their fair market value as based on management's best judgment, the decline in the fair market value is deemed to be temporary in nature.

Investment income earned on the above investments has been recorded as follows:

	2003	2002
	(in thousands)	
Investment income	$ 610	$ 449
Interest earned on loan advance	-	56
Deferred contributions	582	552
Total investment income earned	$ 1,192	$ 1,057

Note 5 Long Term Receivable

On September 1, 1999, the Institute's wholly owned subsidiary, The Learning Management Corporation, entered into a purchase and sale agreement for the disposition of certain assets. Proceeds on the sale are to be received in seven equal annual installments starting June 30, 2000 and are non-interest bearing.

Note 6 Inventories

Inventories are summarized as follows:

	2003	2002
	(in thousands)	
Bookstore	$ 951	$ 1,043
Material and supplies	104	152
Food stores	106	82
	$ 1,161	$ 1,277

Note 7 Capital Assets

(a) Summary of Cost and Net Book Value:

	2003			2002
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
		(in thousands)		
Land and improvements	$ 23,792	$ -	$ 23,792	$ 23,792
Buildings and renovations	279,160	128,009	151,151	146,730
Furnishings, equipment, and library	56,024	38,833	17,191	15,771
Vehicles	1,163	973	190	246
Computer hardware and software	47,656	41,022	6,634	8,241
Leasehold improvements	47	47	-	-
TLM license	1,122	896	226	450
Construction in progress	712	-	712	8,394
	$ 409,676	$ 209,780	$ 199,896	$ 203,624

(b) Capital Acquisitions

Capital acquisitions during the year included donations in kind in the amount of $2,137,044 (2002 - $ 2,314,043).

(c) Capital Leases

At June 30, 2003, the Institute had assets under capital lease with a cost of $892,462 (2002 - $590,685) and accumulated amortization of $296,127 (2002 - $252,807).

Note 8 Unearned Revenue

Unearned revenue is summarized as follows:

	2003	2002
	(in thousands)	
Earned revenue programs	$ 2,251	$ 1,716
Tuition, application fees and prepayments	1,977	2,468
Commercial services and other	193	88
	$ 4,421	$ 4,272

Note 9 Employee Future Benefits

The Institute provides compensated absences for its employees under a special leave plan. Under this plan, employees contribute 15% of their gross monthly earnings for a contributory period of four years. For the fifth year, employees receive 85% of their gross salary as of the last day of their contributory period. The Institute funds the shortfall between the contributed funds, including interest earned, and the gross salary to be paid in the fifth year. The Institute's liability under this plan included in these financial statements is $174,852 (2002 - $166,672) and has been discounted at a rate of 5%.

The pension expense recorded in these financial statements is equivalent to the Institute's contributions of $3,765,956 for the year ended June 30, 2003 (2002 - $3,538,714).

The Institute has an unfunded supplementary pension plan for its President. The approval of the Lieutenant Governor in Council was not obtained prior to setting up the plan, as required by the Technical Institutes Act. The Institute has informed the Ministry of Learning of the plan and options to provide legislative authority to the plan are being explored.

At December 31, 2002, the Local Authorities Pension Plan reported a deficiency of $ 444,980,000 (2001 - surplus of $634,960,000).

Note 10 Deferred Contributions

	2003 (in thousands)	2002 (restated-note 3)
Increase during the year:		
Donations and other grants	$ 2,764	$ 6,530
Access funding	7,364	8,973
Transfer from deferred capital contributions	584	-
Infrastructure renewal funding	-	227
Restricted income	582	552
	11,294	16,282
Transfers		
To deferred capital contributions (Note 11)	(1,570)	(5,429)
To grant revenue	(6,922)	(8,456)
To donations, contribution, and income on restricted contributions	(3,438)	(2,645)
	(11,930)	(16,530)
Balance, beginning of year	8,767	9,015
Balance, end of year	$ 8,131	$ 8,767

The balance of deferred contributions is comprised of:

	2003 (in thousands)	2002
Scholarships	$ 908	$ 1,131
Program delivery	4,887	5,834
Other	2,336	1,802
	$ 8,131	$ 8,767

Deferred contributions for program delivery consist primarily of Access program funding.

Note 11 Deferred Capital Contributions

	2003	2002
	(in thousands)	
Increase during the year:		
Infrastructure renewal funding	$ -	$ 10,186
Other grants and donations	2,498	12,000
Transfer from deferred contributions (Note 10)	1,570	5,429
	4,068	27,615
Transfers to unamortized deferred contributions related to capital assets:		
Infrastructure renewal funding	(336)	(8,637)
Restricted capital funds	(354)	(6,506)
Access funding	(962)	(3,293)
Other grants and donations	(2,944)	-
	(4,596)	(18,436)
Transfers to deferred contributions	(584)	-
	(5,180)	(18,436)
Balance, beginning of year	15,031	5,852
Balance, end of year	$ 13,919	$ 15,031

The balance of deferred capital contributions is comprised of:

	2003	2002
	(in thousands)	
Aerocentre project funding	$ 11,646	$ 12,000
Other grants and donations	1,583	1,482
Infrastructure renewal funding	690	1,549
	$ 13,919	$ 15,031

Note 12 Long Term Liabilities

	Amount Outstanding (in thousands) 2003	2002
Construction loan (a)	$ 39,500	$ 42,500
Construction financing for second student residence (b)	20,334	20,746
Capital lease obligations (c)	390	235
	$ 60,224	$ 63,481
Less: Current portion	(3,586)	(3,486)
	$ 56,638	$ 59,995

Principal payments during the next five fiscal years on long-term liabilities are as follows:

	(in thousands)
2003/04	$ 3,586
2004/05	3,625
2005/06	3,578
2006/07	3,540
2007/08	3,567

Cash interest of $4,018,884 was paid in 2003 (2002-$3,500,944)

(a) Pursuant to a loan agreement entered into with a chartered bank on August 17, 1999, the Institute borrowed the sum of $45 million as a construction loan for a new building and renovations. The loan is secured by a charge on the land on which the capital expansion is to occur, bears interest at 7.08%, matures September 28, 2013 and has a 17-year amortization. At maturity, the outstanding principal may be settled or refinanced at prevailing rates. The agreement requires that the Institute maintain cash and investments net of internally restricted reserves and endowments of $14 million for the term of the loan. Accordingly, the effective rate on net borrowings of $31 million is 7.57% per annum.

(b) Pursuant to a loan agreement entered into on June 16, 2000, the Institute borrowed the sum of $21.5 million to finance the construction of a new student residence. The loan bears interest at 6.5% per annum and matures June 16, 2025. Security pledged for the loan includes all future cash flows generated through the operation of the new student residence.

(c) The average implicit interest rate payable on these leases is 7.6%. Interest of $29,924 has been charged to expense during the year.

Note 13 Unamortized Deferred Contributions Related to Capital Assets

Changes in unamortized deferred contributions related to capital assets are as follows:

	2003	2002
	(in thousands)	
Transferred from deferred capital contributions to acquire capital assets (Note 11)	$ 4,596	$ 18,436
Contributed equipment	2,137	2,315
Transferred to revenue	(7,400)	(8,383)
Increase (decrease) during the year	(667)	12,368
Unamortized deferred contributions related to capital assets, beginning of year	76,643	64,275
Unamortized deferred contributions related to capital assets, end of year	$ 75,976	$ 76,643

Note 14 Invested in Capital Assets

	2003	2002
	(in thousands)	
Capital assets	$ 199,896	$ 203,624
Capital related long term liabilities (Note 12)	(60,224)	(63,481)
Unamortized deferred contributions related to capital assets (Note 13)	(75,976)	(76,643)
	$ 63,696	$ 63,500

Note 15 Endowments

Endowments consist of restricted donations to the Institute, the principal of which is required to be maintained intact in perpetuity as well as any internal allocations by the Board. The investment income generated from endowments must be used in accordance with the various purposes established by the donors or the Board.

Endowments on a cumulative basis:

	2003	2002
	(in thousands)	
Externally restricted	$ 7,923	$ 7,532
Internal allocations	661	661
	$ 8,584	$ 8,193

Note 16 Related Party Transactions

The Institute is a Provincial Corporation as all the members of the Board of Governors are appointed by a combination of orders by the Lieutenant Governor in Council and the Minister of Learning. Transactions between the Institute and the Province are disclosed in the Consolidated Statement of Operations and are as follows:

	2003		2002	
	Revenue	Deferred Contributions /Unearned Revenue	Revenue	Deferred Contributions /Unearned Revenue
		(in thousands)		(restated)
Alberta Learning:				
Operating grant	$ 65,005	$ -	$ 65,033	$ -
Performance funding	-	-	677	-
Access	6,723	3,013	7,103	3,436
Miscellaneous grants	6,685	127	6,303	808
	78,413	3,140	79,116	4,244
Transfer from deferred contributions	155	-	108	-
	78,568	3,140	79,224	4,244
Other provincial departments and agencies:				
Infrastructure renewal	524	691	967	1,550
AeroCentre funding		11,646		12,000
	$ 79,092	$ 15,477	$ 80,191	$ 17,794

At June 30, 2003, the accounts receivable balance included an amount of $73,800 (2002 - $147,681) due from Alberta Learning.

During 2002 and 2003, the Institute had business transactions with corporations for which certain Board members of the Institute served as senior management. These transactions were at market prices on normal terms of purchase and sale.

In 2002 and 2003, the Institute participated in offering certain courses with other public colleges and universities. The revenues and expenses incurred for these courses have been included in the consolidated statement of operations, but have not been separately quantified.

In addition, the Institute provides systems support to some other public colleges. The revenues and expenses incurred for these services have been included in the consolidated statement of operations. Revenue from these agreements in the amount of $319,727 (2002 - $302,191) is included in these financial statements. These transactions were entered into on the same business terms as with non-related parties and are recorded at their fair value amounts.

The Institute owns the land and building currently being used by the Alberta College of Art and Design ("ACAD"). This use is granted through a facility license agreement in place between the Institute and ACAD. The term of the license is through a renewable contractual agreement between the two parties determined at the pleasure of the Minister of Learning. The Institute has Infrastructure Renewal Funds totaling $606,000 to be utilized for the maintenance of the building being used by ACAD. During the year, $155,000 was utilized for this purpose. The land, building and Infrastructure Renewal Funds have not been recorded in these financial statements.

Note 17 Budget

On May 28th, 2002, the Board of Governors approved the revenue and expense budget for the year ended June 30, 2003.

Note 18 Salary Disclosure

	2003 (in thousands)			2002
	Salary(1)	Benefits(2)	Total	Total
Executives:				
President & CEO(3)	$ 169	$ 37	$ 206	$ 208
Vice-President, Academic(3)	$ 140	$ 14	$ 154	$ 151
Vice-President, Finance & CFO(3)	$ 140	$ 14	$ 154	$ 155
Vice-President, Employee & Student Services(3)(4)	$ 140	$ 8	$ 148	$ 111
Vice-President, External Relations(3)	$ 140	$ 14	$ 154	$ 153
Board of Governors – honoraria				
Chairman(5)	-	-	-	-
Members(5)	$ 10	-	$ 10	$ 7

(1) Salary includes regular base pay and performance payments.

(2) Benefits include the Institute's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short and long-term disability plans, and professional memberships. 2002 figures have been restated to include the supplemental executive pension plan provision.

(3) Automobile provided, but no dollar amount included in the benefits figure.

(4) This was a newly created position in 2002. The individual began employment in this position in October 2001.

(5) Some members do not accept honoraria.

Note 19 Full-load Equivalent Students

	Degree Certificate And Diploma Program	Apprenticeship Training Programs	Earned Revenue Programs	2003 Institute Totals	2002 Institute Totals (restated-Note 3)
Costs per financial statements	$ -	$ -	$ -	$ 178,355,000	$ 173,101,000
Costs of non-academic Institute programs (Note 22)				(23,171,000)	(20,308,000)
Program costs(1)	82,187,000	21,545,000	51,452,000	155,184,000	152,793,000
Cost recoveries and miscellaneous Sales and other revenue(2)	(679,000)	(175,000)	(414,000)	(1,268,000)	(1,274,000)
Net program costs	$ 81,508,000	$ 21,370,000	$ 51,038,000	$ 153,916,000	$ 151,519,000
Full-load equivalent students (FLE)	6,663	1,509	3,099	11,271	10,601
Net cost per FLE student	$ 12,233	$ 14,162	$ 16,469	$ 13,656	$ 14,293

(1) Academic department administration costs are allocated based on direct cost proportions for each program type. Institute overhead costs are allocated based on the number of on campus class and laboratory hours for each program type.

(2) Consulting fees, student training product sales and other miscellaneous sales and fees for services generated gross revenues of $1,268,459. This revenue is netted against program costs on the same basis as associated direct and overhead costs.

As defined by the Ministry of Learning, one full-load equivalent (FLE) student reflects one student completing the full load for one year of study in a program, or several students combining to complete the equivalent of a normal full load. For programs where a year of study requires 24 to 36 weeks, an individual student taking a full load will earn one FLE. A student completing the requirements for a program less than 24 weeks will earn less than one FLE for a full year of study. Similarly, a student completing the requirements for a program greater than 36 weeks will earn more than one FLE for a full year of study. The FLE computation for a short or long program is based on a 32 week program of study. Apprenticeship Training Programs use 30 weeks as the standard length for FLE computations for one year of study in a program.

Programs are designed by the Institute - curriculum, program length and delivery mode.

The number of FLE students enrolled in credit courses during the year is calculated by:

(i) accumulating the student hours (contact or equivalent) of a student through an academic year,

(ii) dividing the accumulated student hours by the hours required to complete a year of study in a program, and

(iii) aggregating the numbers for all students.

In addition, non-credit course registrations are converted into FLE's in the same manner as credit courses.

Note 20 Student Hours (Contact or Equivalent)

	Degree, Certificate And Diploma Programs	Apprenticeship Training Programs	Earned Revenue Programs	2003 Institute Totals	2002 Institute Totals (restated-Note 3)
Net program costs (Note 19)	$ 81,508,000	$ 21,370,000	$ 51,038,000	$ 153,916,000	$ 151,519,000
Student hours (contact or equivalent)	5,446,815	1,344,899	2,617,255	9,408,969	8,930,371
Net cost per student hour (contact or equivalent)	$ 15	$ 16	$ 20	$ 16	$ 17
FLE students (Note 19)	6,663	1,509	3,099	11,271	10,601
Average hours per FLE	817	891	845	835	842

Student hours (contact or equivalent) represent the number of classroom (including hours derived from courses taught by alternate delivery methods i.e. correspondence, teleconference and computer managed learning), laboratory, or practicum hours assigned to each course multiplied by the number of students enrolled in each course. The number of students enrolled and the related student hours is obtained from the Institute's Student Information System.

Note 21 Employment Within One Year of Completion

	Surveyed...		Of Those Responding.....		Of Those Looking for Employment.....			
Employment Results for Students Who Completed a Certificate, Applied Degree or Diploma Program in 2002	Number of Students Who Completed a Program	Number of Survey Respondents	Number Not Seeking Employment	Number Seeking Employment	Full-time, Permanent Employment	Full-time Employment Annualized Salary Median	Contract, Part-time or Temporary Employment	Overall Employment Rate
Business and Tourism	795	718	102	616	406	$ 25,200	191	97%
Construction	235	212	9	203	163	$ 30,000	34	97%
Energy	255	238	36	202	157	$ 45,000	37	96%
Health and Public Safety	251	229	12	217	140	$ 30,000	76	100%
Information and Communications Technologies	616	554	55	499	315	$ 30,000	165	96%
Manufacturing and Automation	99	84	13	71	55	$ 32,350	15	99%
Transportation	150	133	4	129	106	$ 28,900	18	96%
Centre for Academic Learning Services	1	1	0	1	1	N/A	0	100%
Totals	2,402	2,169 90%	231 11%	1,938 89%	1,343 69%	$ 30,000	536 28%	97%
Prior year totals	2,121	1,921 91%	173 9%	1,748 91%	1,216 70%	$ 30,000	456 26%	96%

(Percentage totals may not add in this table because of rounding)

Note 21 Employment Within One Year of Completion (continued)

The employment survey does not include students who have completed the Certificate/Diploma Academic Upgrading Program, Apprenticeship Training Programs, EMT-A (Emergency Medical Technician – Ambulance), EMR (Emergency Medical Responder) or Earned Revenue Programs.

Employment information was collected from students (or their proxy) who had completed a program of study during the 2001-2002 academic year. In the current year, all students recorded as graduates as of February 25, 2003 were surveyed.

Surveys were conducted by telephone between January 2003 and March 2003. In the prior year, the surveys were conducted by telephone between January 2002 and March 2002.

Employment is full-time if the student who completed a program indicated that their job was full-time (greater than 30 hours per week) at the time of the survey.

Contract, part-time, or temporary employment includes students who completed a program and were employed in a contract, part-time, or temporary position at the time of the survey, or had been for at least three months in such a position prior to the survey date, but were not employed at the date of the survey.

Note 22 Non-academic Institute Programs

						2003	2002
						(in thousands)	
	Revenue	Operating Expense	Gross Margin	Allocated Overhead	Amortization of Capital Assets	Net Profit (Loss)	Net Profit (Loss)
Commercial services [(1)]	$ 16,760	$ 15,021	$ 1,739	$ 2,227	$ 1,826	$ (2,314)	$ (2,531)
Scholarships and projects	3,306	3,306	-	-	-	-	-
The Learning Management Corporation	469	563	(94)	-	228	(322)	(313)
Total	$ 20,535	$ 18,890	$ 1,645	$ 2,227	$ 2,054	$ (2,636)	$ (2,844)

(1) These non-academic activities are intended to generate revenue to offset associated costs or make a profit.

Note 23 Changes in Non-cash Working Capital

	2003	2002
	(in thousands)	(restated-Note 3)
Accounts receivable	$ 1,140	$ 2,139
Inventories	116	(142)
Prepaid expenses	(248)	(144)
Accounts payable and accrued liabilities	(1,356)	1,808
Unearned revenue	149	(2,023)
Deferred salary plans	(13)	82
Deferred contributions	(636)	(248)
Accrued vacation pay	(684)	321
	$ (1,532)	$ 1,793

Note 24 Interest in Joint Venture

Effective July 1, 2000, the Institute entered into a joint venture agreement with the Northern Alberta Institute of Technology and the British Columbia Institute of Technology. The joint venture is involved in the production and marketing of a Power Engineering multimedia learning product. Effective July 1, 2003 the joint venture agreement has been dissolved and all of its assets have been transferred to a separate entity, with equal entity ownership between all three partners. The results of the joint venture are proportionately consolidated in the financial statements as follows and represent the Institute's 40% (2002 – 54%) interest in the joint venture:

Statement of Financial Position:

	2003	2002
	(in thousands)	
Assets:		
Cash	$ 316	$ 219
Inventories	16	47
	$ 332	$ 266
Current liabilities:		
Accounts payable	$ 50	$ 47
Net assets:		
Unrestricted net assets	282	219
	$ 332	$ 266

Statement of Operations:

	2003	2002
Revenue:		
Sales, rentals, services	$ 515	$ 697
Expenses:		
Salaries and benefits	65	273
Supply and services	180	216
Excess of revenue over expense	$ 270	$ 208

Statement of Cash Flow:

	2003	2002
Cash provided from operating activities:		
Excess of revenue over expense	$ 270	$ 208
Changes in non-cash working capital	34	-
Paid out to joint venture partner	(207)	(144)
Net increase in cash	97	64
Opening cash	219	155
Ending cash	$ 316	$ 219

Note 25 Funds Held on Behalf of Others

The Institute holds the following funds on behalf of others, over which the Board has no power of appropriation. Accordingly, these funds are not included in the consolidated financial statements:

	2003	2002
	(in thousands)	
Provincial Database Project	$ 262	$ 757
Alberta Online Learning	202	-
Alberta Consortium of Technical Institutes	24	24
CML Provincial User Group	24	23
Council of Presidents	-	163
Mecca Media Project	7	7
Alumni E Mail Forwarding	2	-
	$ 521	$ 974

Note 26 Contributed Materials and Services

The Institute received donated software to be used in the delivery of certain programs. The software modules used by the Institute have been included in these financial statements at their estimated fair market value of $2,550,000 (2002 - $2,550,000).

Note 27 Commitments

(a) The Institute has entered into contracts for the provision of graphic services, caretaking services, transit passes, electricity, steam and natural gas. Under these contracts, future minimum payments are:

	(in thousands)
2003/04	$ 11,919
2004/05	10,561
2005/06	7,763
2006/07	7,763
2007/08	6,397

(b) As at June 30, 2003, the Institute has commitments relating to the Aerocentre project. The Board of Governors has approved an expenditure of up to $18,000,000 for this capital project.

Note 28 Contingent Liabilities

The Institute is defending a number of legal proceedings. Claims against the Institute in these proceedings have not been reflected in the financial statements. While the outcome of these proceedings cannot be predicted at this time, it is the opinion of management that the resolution of these claims will not have a material effect on the financial position of the Institute. The cost of settling these claims, if any, will be charged to operations upon settlement.

Note 29 Comparative Figures

Certain June 30, 2002 figures have been reclassified to conform to the current year presentation.

ATHABASCA UNIVERSITY

Financial Statements

For the year ended March 31, 2004

Auditor's Report

Financial Statements:

- Statement of Financial Position
- Statement of Operations
- Statement of Changes in Net Assets
- Statement of Cash Flows
- Notes to the Financial Statements

AUDITOR
GENERAL
Alberta

Auditor's Report

To the Athabasca University Governing Council

I have audited the statement of financial position of the Athabasca University as at March 31, 2004 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the University's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred Dunn FCA
Auditor General

Edmonton, Alberta
May 7, 2004

ATHABASCA UNIVERSITY

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2004

(thousands of dollars)

	2004	2003
ASSETS		
Current assets		
Cash and short-term investments (Note 3)	$ 16,179	$ 14,892
Accounts receivable (Note 4)	3,740	3,493
Inventory of course materials	2,847	2,832
Prepaid expenses	560	413
	23,326	21,630
Non-current investments (Notes 3 and 5)	12,599	5,255
Deferred course development costs (Note 6)	318	386
Capital assets (Note 7)	20,151	21,469
	$ 56,394	$ 48,740
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accruals	$ 1,754	$ 1,769
Salaries and benefits payable (Note 8)	4,527	4,845
Deferred revenue	10,454	8,552
Deferred contributions (Note 9)	2,431	1,025
Due to Joint Venture	-	287
Current portion of obligation under capital lease (Note 10)	50	53
	19,216	16,531
Obligation under capital lease (Note 10)	95	136
Deferred salaries and benefits payable (Notes 8 and 18)	1,746	1,492
Unamortized deferred capital contributions (Note 11)	12,537	13,095
Unamortized course development contributions (Note 11)	318	386
Deferred capital contributions (Note 12)	135	662
	34,047	32,302
Net assets		
Investment in capital assets (Note 7)	7,469	8,185
Endowments (Note 13)	1,089	1,089
Internally restricted (Note 14)	12,027	5,979
Unrestricted	1,762	1,185
	22,347	16,438
	$ 56,394	$ 48,740

Approved on behalf of the Governing Council

David J. Burnett, CA	Dr. Dominique Abrioux
Chair	President

The accompanying notes are part of these financial statements.

ATHABASCA UNIVERSITY
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2004
(thousands of dollars)

	2004	2003
Revenue		
Province of Alberta grants (Note 17)	$ 22,135	$ 20,758
Undergraduate student fees	24,649	20,897
Graduate student fees	11,104	10,222
Sales of goods and services	9,226	7,488
Amortization of deferred capital contributions (Note 11)	1,054	1,011
Amortization of deferred course development contributions (Note 11)	68	139
Interest (Note 13)	872	439
Donations	163	51
Research and other grants	664	501
Other	30	303
	69,965	61,809
Expenses		
Salaries and benefits (Note 19)	40,177	37,423
Fees and purchased services	8,774	8,748
Materials and supplies	6,116	5,286
Communications and travel	4,171	4,280
Amortization of capital assets	3,085	3,279
Amortization of deferred course development costs (Note 6)	68	139
Insurance, utilities and taxes	605	573
Facilities rental	853	797
Scholarships	207	141
	64,056	60,666
Excess of revenue over expenses	$ 5,909	$ 1,143

ATHABASCA UNIVERSITY

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2004

(thousands of dollars)

	2004					2003
	Investment in Capital Assets	**Endowments**	**Internally Restricted**	**Unrestricted**	**Total**	**Total**
Balance, beginning of year	$ 8,185	$ 1,089	$ 5,979	$ 1,185	$ 16,438	$ 15,295
Excess of revenue over expenses	-	-	-	5,909	5,909	1,143
Investment in capital assets, internally funded	1,271	-	-	(1,271)	-	-
Repayment of obligations under capital lease	44	-	-	(44)	-	-
Amortization of internally funded assets	(2,031)	-	-	2,031	-	-
Interfund transfers (Note 14)	-	-	6,048	(6,048)	-	-
Balance, end of year	$ 7,469	$ 1,089	$ 12,027	$ 1,762	$ 22,347	$ 16,438

ATHABASCA UNIVERSITY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2004

(thousands of dollars)

	2004	2003
Cash provided from operating activities:		
Excess of revenue over expenses	$ 5,909	$ 1,143
Items not affecting cash flow:		
Amortization of capital assets	3,085	3,279
Amortization of deferred course development costs	68	139
Amortization of deferred capital contributions	(1,054)	(1,011)
Amortization of deferred course development contributions	(68)	(139)
Increase in deferred salaries and benefits payable	254	494
Write down of investment	-	137
Equity in joint venture earnings (Note 5)	(134)	(32)
Transfer from deferred capital contributions (Note 9)	(31)	(58)
	8,029	3,952
Change in non-cash working capital		
Change in current assets, except cash and short-term investments	(409)	(428)
Change in current liabilities, except current portion of obligation under capital lease	2,688	2,150
	2,279	1,722
	10,308	5,674
Cash used in investing activities:		
(Increase) decrease in non-current investments	(7,210)	(468)
Capital asset acquisitions, internally funded	(1,271)	(971)
Capital asset acquisitions, externally funded	(496)	(753)
	(8,977)	(2,192)
Cash provided from financing activities:		
Deferred capital contributions	-	212
Capital lease payments (Note 10)	(44)	(11)
	(44)	201
Increase in cash and cash equivalents	1,287	3,683
Cash and cash equivalents, beginning of year	14,892	11,209
Cash and cash equivalents, end of year	$ 16,179	$ 14,892

ATHABASCA UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2004

(thousands of dollars)

Note 1 Authority and Purpose

Athabasca University (the "University") operates under the authority of the Post-Secondary Learning Act, Statutes of Alberta 2003, chapter P-19.5. It is directed by an appointed Governing Council and offers undergraduate and graduate degree programs through distance education. The University is a registered charity and is exempt from the payment of income taxes.

Note 2 Significant Accounting Policies and Reporting Practices

(a) General

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates, which may vary from actual results. Such estimates, the potential errors of which, in administration's opinion, are within reasonable limits of materiality have been made using professional judgments and conform to the significant accounting policies summarized below. These significant accounting policies are presented to assist the reader in evaluating these financial statements and, together with the following notes, should be considered an integral part of the financial statements.

(b) Revenue Recognition

Government operating grants are recognized as revenue in the period received, or, where the grants relate to a future period, they are deferred and recognized in the subsequent period.

Contributions restricted for purposes other than endowment or the acquisition of capital assets are deferred and recognized as revenue in the year in which the related expenses are incurred. Contributions restricted for the acquisition of capital assets having a limited life are deferred and recorded as deferred capital contributions in the period in which they are expended. Deferred capital contributions are amortized to revenue over the useful lives of the related assets. Contributions restricted for the development of courses are deferred and amortized to revenue over five years.

Endowment contributions are recognized as direct increases in net assets in the period in which they are received. Contributions restricted for the acquisition of non-consumable capital assets are recognized as direct increases in net assets in the period in which they are expended.

Revenues received for the provision of goods and services are recognized in the period in which the goods are provided or the services rendered. Deferred revenue includes course and seminar fees received in advance.

Donations of goods and services that otherwise would have been purchased are recorded at fair value when a fair value can be reasonably determined.

Volunteers contribute services to assist the University in carrying out its mission. Such contributed services are not recognized in these financial statements.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(c) Investments

Current investments are valued at the lower of cost and market value. Non current investments are valued at cost or, when there has been other than a temporary impairment in the value of the investment, at market value which is now considered the new cost. Gains or losses on sales of investments are recognized in the year of disposal. The investment in a joint venture is accounted for using the equity method.

(d) Inventory of Course Materials

Inventory of course materials is valued at the lower of cost and net realizable value.

(e) Copyrights

It is the policy of the University to obtain a copyright on all course material produced. These copyrights are recorded at a nominal value of $1 and included in prepaid expenses.

(f) Deferred Course Development Costs

Costs related to the development of special purpose courses through Curriculum Redevelopment Funding are deferred and amortized over periods not exceeding five years from the time development is completed.

(g) Capital Assets

Capital assets acquisitions are recorded at cost, except for donated assets, which are recorded at fair value. Capital assets are amortized on a straight-line basis over the assets' estimated useful lives as follows:

	Years
Buildings and site improvements	10 – 40
Furnishings, equipment and software	3 – 10
Library materials	10

Works of art assets purchased by the University are recorded at cost. Donated works of art assets are recorded at fair values.

(h) Employee Future Benefits

The University participates with other employers in two defined benefit pension plans, the Universities Academic Pension Plan and the Public Service Pension Plan. These pension plans are multi-employer defined benefit pension plans that provide pensions for the University's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates that are expected to provide for benefits payable under the respective pension plan. The University does not record its portion of the pension plans' deficit or surplus.

The University has other defined benefit plans. The cost of benefits earned by employees in these plans is actuarially determined using the projected benefit method prorated on service and management's best estimate of salary escalation. Net actuarial gains (losses) are recognized immediately.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(i) Fair Value of Financial Instruments and Cash Equivalents.

The carrying values of financial assets and financial liabilities are considered to approximate fair value unless otherwise disclosed. Cash and cash equivalents consists of cash and short-term investments. Short-term investments consist of commercial paper, bonds, and a term deposit that mature within one year.

Note 3 Investments

Non-current investments represent funds related to deferred capital contributions, endowments and certain amounts internally restricted by the Governing Council and consist, together with cash and short-term investments, of the following:

	2004				2003	
	Cash and Short-term Investments	Non-current Investments	Total		Total	
			Carrying value	Market(1)	Carrying value	Market
Monetary investments						
Bank balances	$ 3,979	$ 89	$ 4,068	$ 4,068	$ 5,283	$ 5,283
Money market investments(2)	12,200	12,293	24,493	24,493	13,735	13,735
Bonds	-	-	-	-	1,006	1,029
Sub-total	16,179	12,382	28,561	28,561	20,024	20,047
Other investments(3)	-	217	217	217	123	123
Total 2004	$ 16,179	$ 12,599	$ 28,778	$ 28,778	$ 20,147	$ 20,170
Total 2003	$ 14,892	$ 5,255	$ 20,147	$ 20,170		

(1) Market value approximates fair value of investments, except for other investments, where carrying value approximates fair value.

(2) Money market investments are purchased at a discount by the University and must be rated at R-1 or better (rated by Dominion Bond Rating Service). At March 31, 2004, the investments held have an average effective yield of 2.55% (3.04% - 2003) and will mature within 60 days.

(3) Other investments, recorded at the lower of carrying value and estimated market value, include shares of two private companies and a joint venture interest.

Note 4 Accounts Receivable

Accounts receivable includes $325 (2003 - $535) in grants due from the Province of Alberta and $96 (2003 - $0) in recoverable expenses from Campus Alberta: Graduate Program in Counseling Joint Venture.

Note 5 Interest in Joint Venture

The University has a one-third joint venture interest in the Campus Alberta: Graduate Program in Counseling. Three Alberta universities formed the joint venture to develop and deliver a Collaborative Alberta Graduate Counseling Program.

The University's equity in the accumulated earnings of the joint venture at March 31, 2004 is $217 (2003 - $123).

The University's share of the joint venture's assets, liabilities and equity is:

	2004	2003
Current assets	$ 411	$ 282
Capital assets	8	10
	$ 419	$ 292
Current liabilities	$ 194	$ 159
Unamortized deferred capital contributions	7	10
Investment in capital assets	1	-
Joint venture interest	217	123
	$ 419	$ 292

The University's share of joint venture earnings for the year ending March 31, 2004 is $134 (2003 - $32), which is one-third of the net of total revenues of $1,545 (2003 - $872) less total expenses of $1,143 (2003 - $776).

Note 6 Deferred Course Development Costs

	2004	2003
Balance, beginning of year	$ 386	$ 525
Costs incurred during the year	-	-
	386	525
Less amount amortized during the year	(68)	(139)
Balance, end of year	$ 318	$ 386

Note 7 Capital Assets and Investment in Capital Assets

	2004			2003
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 1,567	-	$ 1,567	$ 1,567
Buildings and site improvements	26,242	13,772	12,470	12,448
Building construction in progress	-	-	-	490
Furnishings, equipment and software (Note 10)	17,276	12,450	4,826	5,587
Library materials	5,002	4,334	668	757
Works of art	620	-	620	620
	$ 50,707	$ 30,556	20,151	21,469
Unamortized deferred capital contributions related to capital assets (Note 11)			(12,537)	(13,095)
Obligation under capital lease (Note 10)			(145)	(189)
Investment in capital assets			$ 7,469	$ 8,185

The University holds a collection of 486 works of art consisting of sketches, limited edition prints, photographs and some original paintings. The works of art are held by the University for public exhibition.

Note 8 Salaries and Benefits Payable

	2004	2003
Salaries and wages	$ 1,806	$ 2,226
Vacation pay	1,388	1,401
Administrative Leave Plan	1,226	1,172
Flexible Benefit Plan	889	671
Professional development funds	964	867
Total salaries and benefits payable	6,273	6,337
Current portion of salaries and benefits payable	(4,527)	(4,845)
Deferred salaries and benefits payable	$ 1,746	$ 1,492

Deferred salaries and benefits payable are the long-term accrued benefit obligations of the Administrative Leave Plan and Flexible Benefit Plan.

Note 9 Deferred Contributions

Deferred contributions represent unspent restricted grants and donations. Changes in the deferred contributions balances are as follows:

	2004	2003
Balance, beginning of year	$ 1,025	$ 1,338
Contributions received in the year	2,093	634
Transfer from deferred capital contributions (Note 12)	31	58
Amount recognized as revenue in the year	(718)	(1,005)
Balance, end of year	$ 2,431	$ 1,025
The balance consists of funds restricted from:		
Province of Alberta		
Access	$ 1,839	$ 410
Learning Enhancement	56	76
Curriculum Redevelopment	70	70
Intellectual Infrastructure	13	13
Infrastructure Maintenance	15	-
Sponsored research special projects	438	456
	$ 2,431	$ 1,025

Note 10 Obligation Under Capital Lease

The University leases certain equipment under agreements, which are classified as capital leases. Costs and accumulated amortization of such assets totaled $1,210 and $567 respectively (2003 - $1,210 and $416) and are included in furnishings, equipment and software (Note 7).

Future minimum capital lease payments are as follows:

	2004	2003
2004	$ -	$ 54
2005	54	54
2006	54	54
2007	53	53
Total future minimum lease payments	161	215
Less amount representing implicit interest at 8%	(24)	(36)
Net future minimum lease payments	137	179
Plus accrued interest	8	10
Total capital lease payable	145	189
Less current portion and accrued interest	(50)	(53)
Long term obligation under capital lease	$ 95	$ 136

Note 11 Unamortized Deferred Capital and Deferred Course Development Contributions

	2004			2003
	Related to			
	Capital Assets	Deferred Course Development	Total	Total
Balance, beginning of year	$ 13,095	$ 386	$ 13,481	$ 13,878
Transfers from deferred capital contributions (Note 12)	496	-	496	753
	13,591	386	13,977	14,631
Amortized to revenue	(1,054)	(68)	(1,122)	(1,150)
Balance, end of year	$ 12,537	$ 318	$ 12,855	$ 13,481

Note 12 Deferred Capital Contributions

Deferred capital contributions represent unspent capital funding received from governments and publicly funded organizations.

	2004	2003
Balance, beginning of year	$ 662	$ 1,261
Add contributions received in the year	-	212
Transfers to unamortized deferred capital contributions in the year (Note 11)	(496)	(753)
Transfer to deferred contributions in the year (Note 9)	(31)	(58)
Balance, end of year	$ 135	$ 662

Note 13 Endowments

Endowments consist of externally restricted donations to the University, the principal of which is required to be maintained intact. There are no externally imposed restrictions over the use of the investment income generated from endowments and accordingly, all investment income earned is recognized as revenue in the Statement of Operations.

Note 14 Internally Restricted Net Assets

The Governing Council had designated internally restricted net assets for future operating and capital needs.

	2004			2003
	Operating	Capital	Total	Total
Balance, beginning of year	$ 3,979	$ 2,000	$ 5,979	$ 4,735
Transfers from unrestricted net assets	448	5,600	6,048	1,244
Balance, end of year	$ 4,427	$ 7,600	$ 12,027	$ 5,979

The balance consists of funds internally restricted for:

	2004			2003
	Operating	Capital	Total	Total
New Program Development	$ 2,194	$ -	$ 2,194	$ 1,729
Future Student Awards	1,364	-	1,364	1,381
Future Employee Benefits	869	-	869	869
	4,427	-	4,427	3,979
Building Renovations	-	2,000	2,000	2,000
Investment in Systems Development	-	5,600	5,600	-
	-	7,600	7,600	2,000
	$ 4,427	$ 7,600	$ 12,027	$ 5,979

Note 15 Budget

The following budget amounts are part of the annual plan that was approved by the Governing Council on March 21, 2003.

	Approved 2003-2004 Budget
Revenue	
Province of Alberta grants	$ 21,282
Undergraduate student fees	21,412
Graduate student fees	11,854
Sales of goods and services	6,352
Amortization of deferred capital and deferred course development contributions	870
Interest	460
Other	55
	$ 62,285
Expenses	
Salaries and benefits	$ 40,120
Fees and purchased services	7,363
Materials and supplies	6,072
Communications and travel	4,056
Amortization of capital assets and deferred course development costs	3,060
Facilities rental, insurance, utilities and taxes	1,464
Scholarships	150
	$ 62,285
Excess of revenue over expenses	$ -

Note 16 Operating Lease Commitments

The University is committed to operating leases expiring no later than 2007 for facilities and equipment with the following annual payments:

2005	$ 771
2006	$ 618
2007	$ 349

The University is also required to pay a pro rata share of operating expenditures of the facilities.

Note 17 Related Party Transactions

The University is a Provincial Corporation as all of the members of the Governing Council are appointed either by a Provincial Statute (the Post-Secondary Learning Act) or by a combination of orders by the Lieutenant Governor in Council and the Minister of Learning. Transactions between the University and the Province of Alberta are summarized below.

	2004	2003
Operating grant	$ 18,570	$ 17,848
Infrastructure	134	-
Access funding	3,828	1,892
Growth	-	351
Other	992	267
Total contributions	23,524	20,358
Change in deferred contributions and other accruals from Provincial sources	(1,389)	400
Province of Alberta grants revenue	$ 22,135	$ 20,758

The University offered certain courses at other provincial post-secondary institutions. The revenue for these courses amounted to $1,270 (2003 - $1,019).

Note 18 Employee Future Benefits

The University participates in the Universities Academic Pension Plan and the Public Service Pension Plan, which are multi-employer plans. The expense recorded in these financial statements equals the University's employer contributions of $1,912 (2003 - $1,570) for the year ended March 31, 2004.

At December 31, 2003, the Universities Academic Pension Plan reported an actuarial deficiency of $538,352 (2002 - $409,672 as restated). An actuarial valuation of the Universities Academic Pension Plan was carried out as at December 31, 2002 which was then extrapolated to December 31, 2003.

The unfunded liability for service under the Universities Academic Pension Plan is being financed by additional contributions from the Province of Alberta, employers and employees. Contribution rates are set on the basis that the additional contributions will eliminate the unfunded liability on or before December 31, 2043. To eliminate the unfunded liability for each of employer and employee, the rate for the additional contributions at December 31, 2003 is 1.51% (2002 – 0.07%) of pensionable salary and the rate for the Province of Alberta is 1.25% (2002 – 1.25%).

At December 31, 2003, the Public Service Pension Plan reported an actuarial deficiency of $596,213 (2002 - $175,528). An actuarial valuation of the Plan was carried out as at December 31, 2002 which was then extrapolated for the December 31, 2003 financial statements.

The contribution rates for the Public Service Pension Plan as at December 31, 2003 were 6.17% (2002 – 4.675%) of the pensionable salary up to the Canada Pension Plan's Year's Maximum Pensionable Earnings and 8.81% (2002 – 6.55%) of the excess for employees. Employers provide matching contributions.

Note 18 Employee Future Benefits (continued)

The University's non-pension defined benefit plans are not fully funded. The non-pension defined benefit plans' deficit equals the accrued benefit obligation of $2,115 (2003 - $1,843) which is recorded in salaries and benefits payable.

The significant actuarial assumptions adopted in measuring the University's accrued benefit obligations for the non-pension defined benefit plans are as follows:

	2004	2003
Discount rate		
Administrative Leave Plan	3%	5%
Flexible Benefit Plan	5.5%	6%
Rate of compensation increase		
First year	7%	7%
Subsequent years	6%	6%
Average remaining service period of active employees		
Administrative Leave Plan	3 years	5 years
Flexible Benefit Plan	13 years	13 years
Retirement age	60 years	60 years

During the year the University paid benefits from its non-pension defined benefit plans totaling $284 (2003 - $34).

Note 19 Salary and Benefits

Salary and employee benefit information is disclosed pursuant to a Treasury Board directive under the Financial Administration Act of the Province of Alberta.

	2004				2003	
	Number of Individuals[4]	Salary[1]	Benefits and Allowances[2]	Total	Number of Individuals[4]	Total
			(thousands of dollars)			
Governing Council						
Chairman of Governing Council	1	$ -	$ -	$ -	1	$ -
Governing Council members	13	-	-	-	13	-
	14	-	-	-	14	-
Executive Officers						
President	1	202	23	225	1	212
Vice-Presidents						
Academic	1	156	23	179	1	178
External Relations *(vacant for 8 months)*		50	6	56	1	148
Finance & Administration	1	128	24	152	1	137
Executive Director						
External Relations *(vacant for 4 months)*	1	90	17	107	-	-
Associate Vice-Presidents						
Academic	1	133	23	156	1	95
Research	1	121	22	143	1	136
	6	880	138	1,018	6	906
Academic/Professional/Management[3]	314	18,436	3,580	22,016	298	20,839
Tutors and Academic Coaches[3]	257	5,008	327	5,335	249	4,932
Support[3]	326	9,408	1,994	11,402	311	10,538
	917	$ 33,732	$ 6,039	39,771	878	37,215
Increase (decrease) in staff benefit liabilities				(76)		(139)
Increase in administrative & flex leave accruals						
President				16		10
Vice Presidents						
Academic				24		36
External Relations *(vacant 8 months)*				9		7
Finance & Administration				23		24
Executive Director						
External Relations *(vacant 4 months)*				24		-
Associate Vice-Presidents						
Academic				35		31
Research				-		-
Academic/Professional/Management				351		239
				$ 40,177		$ 37,423

Note 19 Salary Disclosure (continued)

(1) Salary includes regular base pay, bonuses, overtime, lump sum payments, honoraria, and any other direct cash remuneration.

(2) The employer's share of all employee benefits and contributions includes payments made on behalf of employees for vacation payouts, pension, health care, dental, vision, group life insurance, accidental death and dismemberment insurance, long and short-term disability plans, professional memberships, tuition, supplemental unemployment benefits, research and study leaves, professional development allowances (excluding approved travel related costs) and travel insurance. The accruals of administrative leave for Executive Officers and Academic Managers, and of flexible plan benefits for Managers and Excluded Professional staff, have been included as reconciling items.

(3) All non-governance staff have been grouped into categories of Academic /Professional/Management, Tutors and Academic Coaches, and Support.

(4) The number of individuals represents a head count of staff members.

UNIVERSITY OF ALBERTA
Financial Statements

For the year ended March 31, 2004

Auditor's Report

Financial Statements:

- Statement of Financial Position
- Statement of Operations and Change in Deficit
- Statement of Changes in Net Assets
- Statement of Cash Flows
- Notes to the Financial Statements

AUDITOR
GENERAL
Alberta

Auditor's Report

To the Board of Governors of The University of Alberta

I have audited the statement of financial position of the University of Alberta as at March 31, 2004 and the statements of operations and change in deficit, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the University's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
May 28, 2004, (except for Note 17 which
is as of July 14, 2004)

STATEMENT OF FINANCIAL POSITION

UNIVERSITY OF ALBERTA

AT MARCH 31, 2004
(in thousands of dollars)

	2004	2003
ASSETS		
Current Assets		
Cash and short-term investments	$ 146,590	$ 152,131
Accounts receivable and accrued interest	83,482	113,285
Other assets	12,678	11,142
	242,750	276,558
Investments (Note 3)	745,239	579,426
Capital assets and collections (Note 6)	1,080,361	943,079
	$ 2,068,350	$ 1,799,063
LIABILITIES AND NET ASSETS		
Current Liabilities		
Outstanding cheques	$ 7,705	$ 16,358
Accounts payable and accrued liabilities	82,195	87,663
Current portion of employee benefit liabilities (Note 7)	41,522	39,495
Current portion of long-term obligations (Note 8)	3,236	2,499
Deferred contributions, research and other (Note 9)	169,596	149,923
Deferred revenue	9,703	15,124
	313,957	311,062
Employee benefit liabilities (Note 7)	45,874	50,843
Long-term obligations (Note 8)	92,809	72,685
Deferred contributions, research and other (Note 9)	90,000	75,000
Deferred contributions, capital (Note 9)	2,813	2,592
Unamortized deferred capital contributions (Note 10)	656,589	576,167
	1,202,042	1,088,349
Net Assets		
Endowments (Note 11)	538,508	459,441
Investment in capital assets and collections (Note 12)	331,770	296,737
Deficit	(3,970)	(45,464)
	866,308	710,714
	$ 2,068,350	$ 1,799,063

Signed on behalf of the Board of Governors

Chairman of the Board

Fraser
President

The accompanying notes are part of these financial statements.

STATEMENT OF OPERATIONS AND CHANGE IN DEFICIT

UNIVERSITY OF ALBERTA

FOR THE YEAR ENDED MARCH 31, 2004

(in thousands of dollars)

	2004	2003
REVENUE		
Provincial government (Note 16)	$ 421,723	$ 375,325
Other government sources	105,070	90,872
Credit course tuition and related fees	153,154	138,617
Grants	26,166	27,884
Investment income (loss) (Note 4)	71,945	(8,171)
Donations (Note 5)	16,690	15,304
Royalty income	811	1,249
Sales of goods and services	149,423	138,283
	944,982	779,363
Amortization of deferred capital contributions (Note 10)	54,232	44,421
	999,214	823,784
EXPENSE		
Salaries	492,000	450,701
Employee benefits	82,477	79,274
Materials, supplies and services	165,280	151,472
Maintenance and utilities	59,160	52,793
Scholarships and bursaries	56,730	51,914
Interest	7,201	6,225
Amortization of capital assets	74,531	68,726
	937,379	861,105
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE	61,835	(37,321)
TRANSFER FROM ENDOWMENT NET ASSETS (Note 11)	-	25,715
NET INVESTMENT IN CAPITAL ASSETS (Note 12)	(20,341)	(26,074)
Change in deficit for the year	41,494	(37,680)
DEFICIT, BEGINNING OF YEAR	(45,464)	(7,784)
DEFICIT, END OF YEAR	$ (3,970)	$ (45,464)

--------- *The accompanying notes are part of these financial statements.* ---------

STATEMENT OF CHANGES IN NET ASSETS **UNIVERSITY OF ALBERTA**

FOR THE YEAR ENDED MARCH 31, 2004
(in thousands of dollars)

	Endowments			Investment in Capital Assets and Collections	
	Externally Restricted	Internally Restricted	Total		Deficit
NET ASSETS, March 31, 2002	$ 486,958	$ 44,363	$ 531,321	$ 270,006	$ (7,784)
Deficiency of revenue over expense	-	-	-	-	(37,321)
Investment (loss) (Note 4)	(61,282)	-	(61,282)	-	-
Gifts of endowment principal (Note 5)	15,117	-	15,117	-	-
Transfers (Note 11)	(24,404)	(1,311)	(25,715)	-	25,715
Net investment in capital assets (Note 12)	-	-	-	26,074	(26,074)
Contributions of assets not subject to amortization (Note 12)	-	-	-	657	-
NET ASSETS, March 31, 2003	$ 416,389	$ 43,052	$ 459,441	$ 296,737	$ (45,464)
Excess of revenue over expense	-	-	-	-	61,835
Investment income (Note 4)	65,408	-	65,408	-	-
Gifts of endowment principal (Note 5)	13,659	-	13,659	-	-
Net investment in capital assets (Note 12)	-	-	-	20,341	(20,341)
Contributions of assets not subject to amortization (Note 12)	-	-	-	14,692	-
NET ASSETS, March 31, 2004	$ 495,456	$ 43,052	$ 538,508	$ 331,770	$ (3,970)

----------*The accompanying notes are part of these financial statements.*----------

STATEMENT OF CASH FLOWS

UNIVERSITY OF ALBERTA

FOR THE YEAR ENDED MARCH 31, 2004
(in thousands of dollars)

	2004	2003
CASH PROVIDED FROM (USED IN) OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expense	$ 61,835	$ (37,321)
Add (deduct) adjustments for non-cash items:		
Amortization of capital assets	74,531	68,726
Amortization of deferred capital contributions	(54,232)	(44,421)
Loss on disposal of capital assets and collections	4,236	1,364
Increase (decrease) in unfunded employee benefits	(2,942)	3,757
Unrealized (gain) loss on investments	(67,831)	43,294
Total non-cash items	(46,238)	72,720
Net change in non-cash working capital	37,051	32,681
	52,648	68,080
CASH PROVIDED FROM (USED IN) INVESTING ACTIVITIES		
Acquisition of capital assets and collections	(216,387)	(146,607)
Purchases of investments, net	(32,580)	(38,696)
Proceeds on disposal of capital assets and collections	344	211
	(248,623)	(185,092)
CASH PROVIDED FROM (USED IN) FINANCING ACTIVITIES		
Contributions restricted to endowments	13,659	15,117
Increase in long term deferred contributions research and other	15,000	15,000
Deferred contributions, capital	134,875	66,891
Contribution restricted for non-amortizable capital assets and collections	14,692	657
Long-term obligations - new financing	25,011	26,398
Long-term obligations - repayments	(4,150)	(4,628)
	199,087	119,435
INCREASE IN CASH AND CASH EQUIVALENTS	3,112	2,423
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	135,773	133,350
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 138,885	$ 135,773
Cash and cash equivalents consists of:		
Cash and short-term investments	$ 146,590	$ 152,131
Outstanding cheques	(7,705)	(16,358)
	$ 138,885	$ 135,773

---------- *The accompanying notes are part of these financial statements.* ----------

1. Authority and Purpose

The corporation "The Governors of the University of Alberta" (the University) operates under the authority of the Post-Secondary Learning Act, Statutes of Alberta 2003, chapter P-19.5. The mission of the University includes post secondary and graduate education, research, and public service. The University is a registered charity and is exempt, under Section 149 of the Income Tax Act, from the payment of income tax.

2. Significant Accounting Policies

a. General

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates, which may vary from actual results. Such estimates have been made using judgments determined by the University's administration. In administration's opinion, the resulting estimates are within reasonable limits of materiality and are in accordance with the significant accounting policies summarized below. These significant accounting policies are presented to assist the reader in evaluating these financial statements and, together with the following notes, should be considered an integral part of the financial statements.

b. Interest in Joint Ventures

These financial statements include the University's interest in joint ventures using the proportionate consolidation method. Tri-Universities Meson Facility (TRIUMF) (20% interest) is a joint venture, amongst the University and four other universities, and was established to operate a facility for research in sub-atomic physics. The Northern Alberta Clinical Trials and Research Centre (50% interest) is a joint venture between the University and Capital Health to support the shared missions of Capital Health and the University relative to collaborative clinical research.

c. Investments

Short-term investments with a maximum maturity of one year are comprised primarily of certificates of deposit, guaranteed investment certificates, government treasury bills and commercial paper. These investments are recorded at the lower of cost or market value. Market value generally approximates cost given the short term to maturity and high credit quality of the underlying investments.

Long-term investments are recorded in the accounts at market value, except for common shares subject to restrictions and real estate. Market value for marketable securities is determined based on quoted market values for publicly traded bonds and equities, and a market based net asset unit value for pooled bond and equity funds. Market value for mortgages is calculated as the present value of future expected payments using a discount rate for similar financial instruments of comparable risk and duration. Changes in market values from one period to the next are included in investment income (loss) for the period (Note 4).

Common shares subject to restrictions and real estate are recorded at cost. When a loss in value of such investments occurs that is other than temporary, the investment is written down to recognize the loss. The common shares were received as compensation for licensing University technology and are subject to restrictions on their disposition.

d. Capital Assets, Collections and Retirement Obligations

Capital assets and collection items are recorded at cost as acquired. Contributed capital assets and collection items are recorded at fair market value at date of contribution. Amortization of capital assets is recorded on a straight line basis over the assets' estimated useful lives. Estimated useful lives range from 10 to 40 years for buildings and utilities, from 3 to 25 years for equipment and furnishings, and 10 years for that portion of library materials which are not part of the University's permanent collections.

Collections are not amortized and include that portion of library assets considered to have permanent value, museum specimens, archival materials, maps, and works of art.

In 2004 the University adopted the new standard on accounting for asset retirement obligations which records the fair values of asset retirement obligations as liabilities on a discounted basis when they are incurred, and amounts recorded for the related asset are increased by the amount of these liabilities. Over time the liabilities increase due to the change in their present value and the initial capitalized costs are amortized over the useful lives of the related assets.

2. **Significant Accounting Policies (continued)**

e. Revenue Recognition

Unrestricted contributions are recognized as revenue when received, or when receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted investment income, which includes interest, dividends, realized and unrealized gains and losses, is recognized as revenue is earned. Pledges are recognized as revenue when collection is reasonably assured.

Revenues received for the provision of goods or services are recognized in the period in which the goods are provided or the services rendered or substantially rendered. Tuition fees are recognized as revenue when the related instruction is delivered.

Restricted contributions are recognized as revenue in accordance with the deferral method, as summarized below:

> Contributions, including investment income, restricted for purposes other than endowment or the acquisition of capital assets are deferred and recognized as revenue in the year in which the conditions of the contribution are met. Contributions restricted to the acquisition of capital assets having limited life are initially recorded as deferred contributions in the period in which they are received and, when expended, are transferred to unamortized deferred capital contributions and amortized to revenue over the useful lives of the related assets.
>
> Endowment contributions are recognized as direct increases in net assets. Realized capital gains on endowment investments and that portion of investment earnings which, in accordance with agreements with benefactors or the authority provided by section 76(2)(c) of the Post-Secondary Learning Act, are allocable to endowment principal, are also recognized as direct increases in net assets. Contributions restricted to the acquisition of non-consumable capital assets are initially recorded as deferred contributions in the period in which they are received and, when expended, are recognized as direct increases in net assets.

f. Employee Future Benefits

The University participates with other employers in the Universities Academic Pension Plan and the Public Service Pension Plan. These pension plans are multi-employer defined benefit pension plans that provide pensions for the University's participating employees based on years of service and earnings. Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates that are expected to provide for benefits payable under the respective pension plan.

The cost of providing non-vesting and non-accumulating employee future benefits for compensated absences under the University's long-term disability leave plans is charged to expense in full when the event occurs which obligates the University to provide the benefits. The cost of these benefits is actuarially determined using the accumulated benefit method, a market interest rate and administration's best estimate of the retirement ages of employees, expected health care costs and the period of employee disability. Actuarial gains or losses on the accrued benefit obligation are amortized over the average expected period the benefits will be paid.

The cost of providing accumulating post employment benefits under the University's early retirement benefit plans is charged to expense over the period of service provided by the employee. The cost of these benefits is actuarially determined using the projected benefit method pro rated on services, a market interest rate and administration's best estimate of expected health care, dental care, life insurance costs and the period of benefit coverage. The excess of net actuarial gains or losses over 10% of the benefit obligation is amortized over the average remaining service period of active employees expected to receive benefits under the plans.

g. Contributed Services

Volunteers as well as members of the staff of the University contribute an indeterminable number of hours per year to assist the institution in carrying out its mission. Such contributed services are not recognized in the financial statements.

h. Fair Value of Financial Instruments and Cash Equivalents

The carrying values of financial assets and financial liabilities are considered to approximate fair value unless otherwise disclosed. Cash and cash equivalents consist of cash, short-term investments with maturities less than one year and outstanding cheques.

3. Investments

The Board of Governors approved the University's investment policy on May 3, 2002, creating three portfolios for investments:

The University's short-term portfolio is invested in highly secure money market instruments with a minimum credit rating of "R-1 low" and a maximum maturity of 1 year. No single investment, other than federal or provincial issued instruments, can exceed 10% of the portfolio. The primary objective of the short-term portfolio is liquidity and security of capital.

The University's mid-term portfolio is invested in highly secure Canadian traded and denominated bonds and debentures with a minimum credit rating of "A" and a maximum duration of 5 years. No single corporate or municipal government position can exceed 5% of the portfolio. No single provincial government investment can exceed 10% of the portfolio. The primary objective of the mid-term portfolio is enhanced yield and security of capital.

The University's long-term portfolio includes endowment assets as well as the portion of non-endowment assets that will not be required for expenditure purposes in the next 5 years. The primary objective of this portfolio is to achieve a long-term rate of return that in real terms exceeds the endowment spending rate, 5.75% for the 2004 year, and to do so at an acceptable level of risk. The fixed income category of the portfolio shall be a minimum of 20% and a maximum of 40%. The equity category of the portfolio shall be a minimum of 60% and a maximum of 80%. The equity category includes Canadian equities which shall be a minimum of 10% and a maximum of 20% of the total portfolio. The minimum credit rating for bonds and debentures in active management strategies is "BBB" with a maximum aggregate exposure to "BBB" rated securities of 10% of the fixed income portion of the portfolio. No single corporate or municipal government investment can exceed 5% of the fixed income portion of the portfolio. No single provincial government investment can exceed 10% of the fixed income portion of the portfolio. No single equity holding can exceed 10% of either the Canadian or foreign equity portions of the portfolio.

The carrying values of investments are as follows:

	2004	2003
Money market investments	$ 15,734	$ 27,365
Marketable securities:		
Government bonds	80,571	57,049
Corporate bonds	56,300	41,064
Pooled bond funds	137,711	154,405
Pooled equity funds	264,720	127,789
Common shares	184,363	164,498
	723,665	544,805
Other		
Common shares subject to restrictions	4,102	4,098
Mortgages	752	2,172
Real estate	986	986
	5,840	7,256
Total	$ 745,239	$ 579,426

Investments are comprised of endowment and non-endowment funds. Endowment investments, including cash and short-term investments, are recorded at market value of $536,400 (2003 - $456,809).

As at March 31, 2004 the term to maturity and the effective yields per annum for money market investments and marketable securities are as follows:

Money market investments have an average effective yield of 2.35% (2003 - 3.17%) with a term to maturity of less than 1 year.
Pooled bond funds have an average effective yield of 2.81% (2003 - 4.60%) and a weighted average term to maturity of 15.5 years.
Government bond funds have an average effective yield of 4.56% (2003 - 4.65%) and terms to maturity ranging from under 1 year to over 10 years.
Corporate bond funds have an average effective yield of 4.60% (2003 - 5.71%) and terms to maturity ranging from under 1 year to over 10 years.

4. Investment Income (Loss)

	2004	2003
Income (loss) on investments held for endowment		
Externally restricted	$ 100,113	$ (61,282)
Internally restricted	13,001	(8,365)
	113,114	(69,647)
Income on other investments	34,842	194
Total investment income (loss) for the period	147,956	(69,453)
Amounts deferred in period	(10,603)	-
Income capitalized to endowment principal (Note 11)	(65,408)	-
Loss charged to externally restricted cumulative capitalized endowment earnings (Note 11)	-	61,282
Total investment income (loss) recognized as revenue	$ 71,945	$ (8,171)

5. Donations

	2004	2003
Donations included in statement of revenue and expense	$ 16,690	$ 15,304
Gifts included in externally restricted endowment principal	13,659	15,117
Total donations	$ 30,349	$ 30,421

6. Capital Assets and Collections

	2004			2003		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Buildings and utilities	$ 1,190,663	$ 526,603	$ 664,060	$ 1,087,307	$ 499,342	$ 587,965
Equipment and furnishings	639,330	399,068	240,262	576,091	372,067	204,024
Library materials	108,132	76,694	31,438	99,110	70,702	28,408
Capital assets with limited life	1,938,125	1,002,365	935,760	1,762,508	942,111	820,397
Land	10,527	-	10,527	10,624	-	10,624
Capital assets	1,948,652	1,002,365	946,287	1,773,132	942,111	831,021
Collections - Library	101,893		101,893	94,234		94,234
- Other	32,181		32,181	17,824		17,824
Collections	134,074		134,074	112,058		112,058
Capital assets and collections	$ 2,082,726		$ 1,080,361	$ 1,885,190		$ 943,079

Included in buildings and utilities is $62,762 (2003 – $33,845) recorded as work in progress, which is not subject to amortization as the assets are not yet available for use.

Capital acquisitions during the year included in-kind contributions in the amount of $26,848 (2003 - $2,773).

7. Employee Benefit Liabilities

	Academic Staff	Support Staff	Total 2004	Total 2003
Vacation pay	$ 16,503	$ 18,169	$ 34,672	$ 32,841
Long-term disability leave plans	11,416	23,352	34,768	34,126
Early retirement benefit plans	4,198	13,758	17,956	23,371
	32,117	55,279	87,396	90,338
Less current portion	19,315	22,207	41,522	39,495
	$ 12,802	$ 33,072	$ 45,874	$ 50,843

The University's defined benefit plans provide post-employment benefits to most of its employees, and include long-term disability leave plans, early retirement benefit plans and pension plans. The University's defined benefit plans, other than the pension plans, are unfunded.

(a) Defined benefit plans

	2004		2003	
	Long-term Disability	Early Retirement	Long-term Disability	Early Retirement
Accrued benefit obligation:				
Balance, beginning of year	$ 21,854	$ 26,295	$ 21,415	$ 24,915
Current service cost	3,703	1,348	3,917	1,267
Interest cost	1,499	1,668	1,592	1,706
Benefits paid	(3,154)	(1,890)	(3,506)	(1,807)
Actuarial (gain) / loss	(1,560)	4,918	(1,564)	214
Curtailment	-	(6,633)	-	-
Balance, end of year	22,342	25,706	21,854	26,295
Plan assets	-	-	-	-
Funded status – plan deficit	22,342	25,706	21,854	26,295
Unamortized net actuarial gain / (loss)	12,426	(7,750)	12,272	(2,924)
Accrued benefit liability	$ 34,768	$ 17,956	$ 34,126	$ 23,371

7. Employee Benefit Liabilities (continued)

The significant actuarial assumptions adopted in measuring the University's accrued benefit obligations are as follows:

	Long-term Disability	Early Retirement
Discount rate	5.5%	5.5%
Rate of compensation increase:		
(includes cost of living allowance and merit increments)		
Academic staff (year 1, thereafter)	n/a	7.3%, 5.0%
Support staff (year 1, thereafter)	n/a	6.0%, 5.0%
Annual inflation rates:		
Dental costs:		
Academic staff	n/a	3.0%
Support staff	n/a	5.0%
Supplemental health care costs:		
Academic staff	n/a	5.5%
Support staff	n/a	10.0%
Alberta health care costs	n/a	3.0%
Existing claims and pension contributions:		
Academic staff (year 1, thereafter)	5.3%, 3.0%	n/a
Support staff (year 1, thereafter)	4.0%, 3.0%	n/a
Benefit costs:		
Academic staff	5.0%	n/a
Support staff	6.0%	n/a

The University, in agreement with the Association of Academic Staff has terminated the bridge benefits plan for academic staff members, which is one of the programs within the early retirement benefit plans. The curtailment of this plan has resulted in a $6,633 reduction in the accrued benefit obligation. Current participants and academic staff members who retire with an effective date on or before June 30, 2004 will continue to receive bridge benefits.

(b) Pension benefit plans

The University participates with other employers in the Universities Academic Pension Plan (UAPP) and the Public Service Pension Plan (PSPP). These pension plans are multi-employer defined benefit plans. The pension expense recorded in these financial statements is equivalent to the University's actuarially determined contributions of $25,803 (UAPP - $16,916; PSPP - $8,887) for the year ended March 31, 2004 (2003 - $21,620 (UAPP - $14,700; PSPP - $6,920)).

The UAPP is a contributory defined benefit pension plan for academic staff members and other eligible employees of the Universities of Alberta, Calgary and Lethbridge, Athabasca University and The Banff Centre. At December 31, 2003, the UAPP reported an actuarial deficiency of $538,352 (2002 restated - $409,672) consisting of a pre-1992 deficiency ($455,421) and a post 1991-deficiency ($82,931). An actuarial valuation of the UAPP was carried out as at December 31, 2002, and was then extrapolated to December 31, 2003. The next actuarial valuation of the UAPP is required to be completed by December 31, 2005.

The UAPP unfunded liability for service prior to January 1, 1992 is being financed by additional contributions of 1.25% (2002 - 1.25%) of salaries by the Province of Alberta with employees and employers equally sharing the balance of the contributions of 1.76% (2002 - 0.14%) of salaries required to eliminate the unfunded liability on or before December 31, 2043. The actuarial valuation shows that the present value at December 31, 2002 of the Province of Alberta's obligation for the future additional contributions was $164,200. Effective January 1, 2004, the unfunded liability for service after December 31, 1991 is being financed by special payments of 1.26% of salaries shared equally between employees and employers over 15 years from the date of valuation until December 31, 2017. Additional contributions made by the University amounted to $1,088 (2003 - $147), which are included in pension expense for the year.

Effective September 1, 2003, the PSPP contribution rates for both employees and employers are 6.17% (2003 - 4.675%) of earnings up to the year's maximum pensionable earnings (YMPE) under the Canada Pension Plan and 8.81% (2003 - 6.55%) on earnings above YMPE.

8. Long-term Obligations

	Collateral	Maturity Date	Interest Rate %	Amount Outstanding 2004	Amount Outstanding 2003
Mortgages payable to CMHC*:					
Lister Residences	Title to land, building	July 2014	5.125	$ 1,460	$ 1,565
Michener Park Phase I	Title to land, building	April 2018	5.875	2,656	2,774
MacKenzie Hall	Title to land, building	November 2018	6.250	1,402	1,459
Debentures payable, Province of Alberta:					
Saville Centre - ACFA*	Cash flows, Saville Centre	December 2006	3.875	450	-
Housing Union Building	None	June 2008	3.285	1,663	2,017
South Field Car Park - ACFA	None	November 2014	10.250	1,442	1,512
Extension Centre - ACFA	None	October 2017	8.750	6,727	6,970
Steam Turbine Generator - ACFA	Equipment, cash flows	May 2020	6.250	15,521	16,027
Newton Place - ACFA	Title to land, building	August 2024	6.000	14,701	15,048
Newton Place Renovation - ACFA	Title to land, building	August 2024	6.000	2,542	2,602
Lister Residence II - ACFA	Title to land, building	November 2027	5.875	22,573	23,000
Windsor Car Park - ACFA	Cash flows, Windsor Car Park	September 2028	6.000	6,900	-
Saville Centre - ACFA	Cash flows, Saville Centre	December 2028	5.875	4,550	-
East Campus Village - ACFA	Title to land, building	March 2029	4.960	9,500	-
Bank loans payable:					
East Campus Housing	None	September 2008	4.440	1,203	-
East Campus Housing	Title to land, building	August 2003	6.900	-	1,414
Obligations under capital leases				160	274
Other long-term obligations (includes asset retirements and liabilities for site restoration)				2,595	522
				96,045	75,184
Less current portion				3,236	2,499
				$ 92,809	$ 72,685

**Canada Mortgage and Housing Corporation (CMHC)*
** Alberta Capital Finance Authority (ACFA)*

The principal portion of long-term debt repayments required over the next five years are as follows:

	Total
2005	$ 3,236
2006	$ 3,582
2007	$ 3,620
2008	$ 3,669
2009	$ 3,419

The estimated fair value for mortgages, debentures and loans payable as at March 31, 2004 is $100,456 (2003 - $76,162).

9. Deferred Contributions

Deferred contributions represent unspent externally restricted grants and donations. Changes in the deferred contributions balances are as follows:

	2004			2003
	Capital	Research and Other	Total	Total
Balance, beginning of the year	$ 2,592	$ 224,923	$ 227,515	$ 209,534
Grants and donations received	82,928	394,041	476,969	316,196
Recognized as revenue	-	(307,421)	(307,421)	(218,564)
Transferred to unamortized deferred capital contributions	(82,707)	(51,947)	(134,654)	(79,651)
Balance, end of the year	2,813	259,596	262,409	227,515
Less current portion		169,596	169,596	149,923
	$ 2,813	$ 90,000	$ 92,813	$ 77,592

Included in Research and Other deferred contributions are grants and donations received of $51,947 (2003 - $35,885) applied to the purchase of capital assets.

10. Unamortized Deferred Capital Contributions

Deferred capital contributions represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of revenue and expense. The changes in the deferred capital contributions balance are as follows:

	2004	2003
Balance, beginning of the year	$ 576,167	$ 540,937
Additions from deferred contributions	134,654	79,651
Amortization to revenue	(54,232)	(44,421)
Balance, end of the year	$ 656,589	$ 576,167

11. Endowments

Endowments consist of restricted donations to the University, the principal of which is required to be maintained intact in perpetuity (externally restricted), as well as internal allocations by the Board of Governors (internally restricted).

The investment income earned on internally restricted endowments is used to fund the Henry Marshall Tory Chairs, research and other activities of importance to the University as directed by Board of Governors' resolutions. The internally restricted endowments were created through the proceeds received in prior years from the sale of University land and from other sources. The purpose of the internally restricted endowments is not to be changed without approval of the Board of Governors.

The investment income generated from endowments must be used in accordance with the various purposes established by the donors or the Board of Governors. Benefactors as well as University policy stipulate that the economic value of the externally restricted endowments must be protected by limiting the amount of income that may be expended and reinvesting unexpended income. Under section 76(2)(c) of the Post-Secondary Learning Act, the University has the authority to alter the terms and conditions of externally restricted endowments to enable income earned by the endowment to be withheld from distribution to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment.

In any particular year, should investment income earned on endowments be insufficient to fund the spending allocation, the spending allocation is funded from the cumulative capitalized earnings. However, for individual endowment funds without sufficient cumulative capitalized earnings, endowment capital is used in the current year. This amount is expected to be recovered by future investment income.

	2004			2003		
	Externally Restricted	Internally Restricted	Total	Externally Restricted	Internally Restricted	Total
Cumulative contributions	$ 248,917	$ 19,250	$ 268,167	$ 235,258	$ 19,250	$ 254,508
Cumulative capitalized earnings	246,539	23,802	270,341	181,131	23,802	204,933
	$ 495,456	$ 43,052	$ 538,508	$ 416,389	$ 43,052	$ 459,441

During the year the University capitalized $65,408 of earnings related to externally restricted endowments. A portion of this amount was added to externally restricted endowments through the authority provided to the University under section 76(2)(c) of the Post-Secondary Learning Act. The University intends that this portion be maintained in perpetuity. In 2003, cumulative capitalized earnings of $85,686 were required to cover the investment loss on externally restricted endowments of $61,282 and the $24,404 approved endowment spending allocation.

There were no transfers of internally restricted endowment net assets to unrestricted net assets in 2004 (2003 - $247). In 2003, internally restricted endowment net assets of $1,064 were required to cover the approved spending allocation for these endowments. No transfer was required in 2004 as the income earned by these endowments was sufficient to cover the approved spending allocation.

12. Investment in Capital Assets and Collections

Net assets invested in capital assets and collections represents the carrying amount of capital assets and collections less unamortized deferred capital contributions and any related debt, including internal loans held by endowments net of internal deferred financing charges relating to such loans.

	2004	2003
Capital assets and collections at net book value	$ 1,080,361	$ 943,079
Less amounts financed by:		
Unamortized deferred capital contributions	(656,589)	(576,167)
Long-term debt related to capital expenditures	(89,894)	(67,543)
Internal car park loans held by endowments, net of deferred finance charges	(2,108)	(2,632)
Investment in capital assets and collections, end of year	$ 331,770	$ 296,737

	2004	2003
The changes during the year are as follows:		
Investment in capital assets and collections, beginning of year	$ 296,737	$ 270,006
Acquisition of capital assets and collections	66,291	66,301
Repayment of long-term debt	3,032	2,454
Long-term debt, new financing	(24,103)	(16,801)
Net book value of asset disposals	(4,580)	(1,575)
Amortization of capital assets	(20,299)	(24,305)
Net investment in capital assets	20,341	26,074
Contributions of assets not subject to amortization	14,692	657
Increase for the year	35,033	26,731
Investment in capital assets and collections, end of year	$ 331,770	$ 296,737

13. Budget Comparison

A Treasury Board Directive under the Financial Administration Act of the Province of Alberta requires universities to disclose their annual approved budgets in their financial statements. The following is a comparison of the approved budget with actual revenues and expenses.

	Actual	Budget	Variance
Revenue:			
Government sources	$ 526,793	$ 502,671	$ 24,122
Credit course tuition and related fees	153,154	144,293	8,861
Grants, donations, investment and royalty income	115,612	93,108	22,504
Sales of goods and services	149,423	144,091	5,332
	944,982	884,163	60,819
Amortization of deferred capital contributions	54,232	52,000	2,232
	999,214	936,163	63,051
Expense:			
Salaries	492,000	479,608	(12,392)
Employee benefits	82,477	80,388	(2,089)
Materials, supplies, services and other expenses	288,371	283,034	(5,337)
Amortization of capital assets	74,531	79,707	5,176
	937,379	922,737	(14,642)
Excess of revenue over expense	$ 61,835	$ 13,426	$ 48,409

14. Salary Disclosure

A Treasury Board Directive under the Financial Administration Act of the Province of Alberta requires the disclosure of certain salary and employee benefit information.

	2004			Restated 2003
	Salary	Benefits and Allowances	Total	Total
President	$ 372	$ 196	$ 568	$ 516
Vice-Presidents:				
Provost and Vice-President Academic	241	94	335	273
Vice-President Research	221	17	238	222
Vice-President Finance and Administration	250	17	267	265
Vice-President External Relations	217	21	238	217
Vice-President Facilities and Operations	252	20	272	215

The Chair and members of the Board of Governors, the Chancellor and members of the Senate, and external members of the Board's standing committees receive no remuneration for the services that they provide to the University.

Salary includes base salary, salary supplements and honoraria. Benefits include Employment Insurance, Canada Pension Plan and Workers Compensation Board premiums, pension plan contributions, Alberta Health Care, group life insurance, supplementary health care, short and long-term disability plans, dental plan, supplemental pension plans, accidental disability and dismemberment. Benefits for the President include a car allowance and other benefits. Benefits for some of the executive also include memberships.

In recognition that the University uses his home for various University functions, the University reimburses the President for 54% of certain costs for the general operation of his home and compensates him for that use and for wear and tear on furnishings and contents, all determined in accordance with a contractual arrangement entered into by the President and the University. These payments are not included in the benefits and allowances as reported above.

The amounts for the Provost and Vice-President Academic position do not reflect salary and benefits for a two month period due to a leave without pay arrangement. The President's total compensation for 2003 has been restated to include his supplemental pension plan.

15. Contingent Liabilities and Commitments

The University is a defendant in a number of legal proceedings. Claims against the University in these proceedings have not been reflected in these financial statements. While the ultimate outcome and liability of these proceedings cannot be reasonably estimated at this time, the University believes that any settlement will not have a material adverse effect on the financial position or the results of operations of the University.

Academic staff members are entitled to a Professional Expense Allowance, enabling them to incur expenditures on behalf of the institution for expenses related to their teaching, research, professional, or general University duties. At March 31, 2004 approximately $5,416 (2003- $4,345) of such allowances is committed for expenses not yet incurred.

The University is one of fifty-six members of CURIE, the Canadian Universities Reciprocal Insurance Exchange, a self-insurance reciprocal established to share the insurable property, liability, and errors and omissions risks of member universities. The projected cost of claims against the exchange is based on actuarial projections and is funded through members' premiums. As at December 31, 2003 CURIE had a surplus of $100 (2002 - $4,072). This surplus is an accumulation of four different underwriting periods. The University participates in three of the underwriting periods, which have an accumulated deficit of $2,492 (2003 - $1,595 surplus). The University's 7.36% share of this deficiency will be funded through increased premiums.

At March 31, 2004 the University has contractual commitments for approved major capital projects. Commitments for capital projects greater than $1 million total $265,294 (2003 - $101,695) and will be payable in subsequent years. The most significant of these commitments are for the following buildings: Health Research Innovation Facility (HRIF), National Institute for Nanotechnology (NINT), Natural Resources Engineering Facility (NREF).

On July 1, 2000 the University entered into a five-year agreement for information technology support with an external party. The cost of $9,829 over the remaining fifteen months provides for manager application support and manager development services for the University's administrative information systems.

16. Related Party Transactions

The University operates under the authority and statutes of the Province of Alberta. Transactions between the University and the Province of Alberta are summarized below.

	2004	2003
Alberta Learning:		
Operating grant	$ 280,858	$ 274,661
Access grants	27,997	19,918
Performance envelope award	2,948	-
Other	13,738	8,306
Total Alberta Learning	325,541	302,885
Other provincial ministeries, departments, and agencies:		
Alberta Heritage Foundation for Medical Research	21,690	26,377
Alberta Health and Wellness	19,041	10,215
Alberta Infrastructure	67,199	24,577
Alberta Ingenuity Fund	5,375	3,905
Alberta Innovation and Science	36,898	27,374
Other	16,007	19,943
	166,210	112,391
Total contributions received	491,751	415,276
Less: deferred contributions	(70,028)	(39,951)
Revenue from provincial government	$ 421,723	$ 375,325

The University of Alberta has accounts receivable from the Province of Alberta of $22,646 (2003 - $28,073), and accounts payable of $1,165 (2003 - $7).

17. Subsequent Event

The Evangelical Lutheran Church in Canada, the University of Alberta and Alberta Learning have entered into an agreement to merge Augustana University College (Augustana) with the University of Alberta, effective July 1, 2004.

The merger will bring many benefits to both institutions as well as to Alberta Learning. Most importantly it will ensure the continuing operation of a viable rural based university degree granting institution that will assist in meeting the growing enrolment pressures for a high quality undergraduate education.

The liabilities of Augustana will be removed and sufficient operational dollars provided to ensure that the merger does not result in any additional net costs to the University. Accordingly, the Province of Alberta has agreed to provide:

- one time funding of $7 million, comprised of $4 million in fiscal 2004 and $3 million in fiscal 2005, primarily to retire Augustana's debt obligations,
- a capital grant of $12 million in fiscal 2005, and
- an additional annual operating grant of $7 million commencing in fiscal 2005.

For the year ended May 31, 2003, Augustana reported total revenues of $14,003, which included $5,883 of tuition and fees for 1,022 students. The book value of Augustana's total assets amounted to $11,619.

18. Comparative Figures

Certain 2003 figures have been reclassified to conform to the presentation adopted in the 2004 financial statements, and includes reclassifications between the following: accounts receivable and deferred contributions research and other; accounts payable and long-term obligations; sales of goods and services and materials, supplies and services expense. The figures in the 2003 Statement of Cash Flows have been reclassified to reflect the University's adoption of the indirect method of presentation in 2004.

UNIVERSITY OF CALGARY
Financial Statements

For the year ended March 31, 2004

Auditor's Report

Financial Statements:

- Consolidated Statement of Financial Position
- Consolidated Statement of Revenue and Expense
- Consolidated Statement of Changes in Net Assets
- Consolidated Statement of Cash Flows
- Notes to the Consolidated Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Governors of
The University of Calgary

I have audited the consolidated statement of financial position of the University of Calgary as at March 31, 2004 and the consolidated statements of revenue and expense, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the University's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
May 31, 2004

UNIVERSITY OF
CALGARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2004
(thousands of dollars)

ASSETS

	2004	2003 (as restated, note 20)
CURRENT ASSETS		
Cash and cash equivalents (note 3)	$ **108,980**	$ 87,467
Investments (note 3)	**96,156**	88,253
Accounts receivable	**90,214**	49,330
Inventories	**5,033**	5,238
Prepaid expenses	**3,494**	3,372
	303,877	233,660
LONG-TERM INVESTMENTS (note 4)	**276,481**	223,086
OTHER LONG-TERM ASSETS (note 5)	**17,682**	48,710
CAPITAL ASSETS AND COLLECTIONS (note 6)	**598,763**	584,701
	$ **1,196,803**	$ 1,090,157

LIABILITIES AND NET ASSETS

	2004	2003
CURRENT LIABILITIES		
Accounts payable	$ **72,687**	$ 63,075
Deferred revenue	**18,030**	14,398
Deferred contributions, research and other (note 7)	**166,227**	153,999
Current portion of long-term liabilities (note 9)	**3,652**	3,497
	260,596	234,969
DEFERRED CAPITAL CONTRIBUTIONS (note 7)	**22,777**	22,326
LONG-TERM LIABILITIES (note 9 and note 10)	**56,799**	59,710
UNAMORTIZED DEFERRED CAPITAL CONTRIBUTIONS (note 8)	**373,828**	361,885
NET ASSETS		
Restricted for endowment purposes (note 11)	**274,465**	217,697
Investment in capital assets and collections (note 12)	**188,577**	185,565
Internally restricted (note 13)	**19,217**	7,445
Unrestricted	**544**	560
	482,803	411,267
	$ **1,196,803**	$ 1,090,157

Commitments and contingencies (Note 18)

Signed on behalf of the Board of Governors:

Member of the Board

Vice-President (Finance & Services)

The accompanying notes are part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF REVENUE AND EXPENSE
FOR THE YEAR ENDED MARCH 31, 2004
(thousands of dollars)

	2004	2003 (as restated, note 20)
REVENUE		
Government of Alberta grants (note 19)	**$ 268,692**	$ 252,498
Other government grants	**77,105**	67,279
Donations and other grants	**63,068**	45,737
Credit tuition and related fees	**113,562**	103,871
Non-credit tuition and related fees	**13,326**	14,240
Sales of services and products	**68,425**	68,571
Amortization of deferred capital contributions (note 8)	**57,861**	53,405
Investment income (loss) (note 14)	**29,688**	(18,877)
	691,727	586,724
EXPENSE		
Salaries	**346,889**	328,161
Benefits	**48,217**	45,522
Materials, supplies and services	**101,916**	87,137
Amortization of capital assets	**78,151**	69,372
Utilities	**24,517**	26,244
Scholarships, grants and awards	**22,945**	18,219
Travel	**20,095**	21,009
Cost of goods sold	**18,251**	17,863
Maintenance and repairs	**8,998**	12,294
Financing	**3,665**	3,103
	673,644	628,924
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE, for the year (note 16)	**$ 18,083**	$ (42,200)

The accompanying notes are part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2004
(thousands of dollars)

	Restricted for Endowment Purposes (note 11)	Investment in Capital Assets & Collections (note 12)	Internally Restricted (note 13)	Unrestricted	2004 Total	2003 Total (as restated, note 20)
NET ASSETS, beginning of year, (as restated, note 20)	$ 217,697	$ 185,565	$ 7,445	$ 560	$ 411,267	$ 464,886
Excess (Deficiency) of revenue over expense	-	-	-	18,083	18,083	(42,200)
Amortization of internally funded assets	-	(20,290)	280	20,010	-	-
Expenditure of Internally Restricted net assets	-	-	1,723	(1,723)	-	-
Purchase and contribution of capital assets	-	20,811	(347)	(20,211)	253	9,416
Repayment of long-term debt	-	2,497	-	(2,497)	-	-
Board transfers	(343)	(6)	10,146	(9,797)	-	-
Transfers for endowment expenditures	(11,937)	-	-	6,221	(5,716)	-
Investment gain (loss) on endowments	61,140	-	(30)	(9,903)	51,207	(30,354)
Contributions	7,908	-	-	(199)	7,709	9,519
NET ASSETS, end of year	$ 274,465	$ 188,577	$ 19,217	$ 544	$ 482,803	$ 411,267

The accompanying notes are part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2004
(thousands of dollars)

	2004	2003 (as restated, note 20)
CASH PROVIDED FROM (USED IN):		
OPERATING ACTIVITIES		
Excess (Deficiency) of revenue over expense	$ 18,083	$ (42,200)
Items not affecting cash flow:		
Amortization of capital assets	78,151	69,372
Amortization of deferred capital contributions	(57,861)	(53,405)
(Gain) Loss on non-endowed and internally restricted endowment investments	(10,198)	9,725
Net change in non-cash working capital	(23,232)	26,083
	4,943	9,575
INVESTING ACTIVITIES		
Purchase of capital assets, net	(92,213)	(91,240)
Contribution of non-amortizable assets	253	9,416
Decrease (increase) in other long-term assets	31,028	(48,241)
Proceeds on disposal of long-term investments, net	2,294	56,351
(Gain) Loss on investments related to externally restricted endowments	(45,491)	24,982
	(104,129)	(48,732)
FINANCING ACTIVITIES		
Endowment contributions	7,709	4,147
Capital contributions	70,255	60,473
Increase (decrease) in long-term liabilities, net	(2,756)	32,757
Gain (Loss) on externally restricted endowments	45,491	(24,982)
	120,699	72,395
INCREASE IN CASH AND CASH EQUIVALENTS	21,513	33,238
CASH AND CASH EQUIVALENTS, beginning of year	87,467	54,229
CASH AND CASH EQUIVALENTS, end of year (note 3)	$ 108,980	$ 87,467

Net change in non-cash working capital:	2004	2003
(Increase) Decrease in Investments	(7,903)	4,357
(Increase) Decrease in Accounts receivable	(40,884)	7,661
Decrease in Inventories	205	149
Increase in Prepaid expenses	(122)	(578)
Increase in Accounts payable	9,612	8,657
Increase in Deferred revenue	3,632	91
Increase in Deferred contributions, research and other	12,228	5,746
	(23,232)	26,083

The accompanying notes are part of these consolidated financial statements.

Note 1 **Authority and Purpose**

The University of Calgary ("the University") operates under the authority of The Post-Secondary Learning Act, Statutes of Alberta 2003, chapter P-19.5. It is a Board-governed, comprehensive research University offering undergraduate and graduate degree programs as well as a full range of continuing education programs and activities. The University is a registered charity and is exempt, under Section 149 of the Income Tax Act, from the payment of income tax. The tax exemption does not extend to its wholly-owned subsidiary, University Technologies International Inc.

Note 2 **Summary of Significant Accounting Policies and Reporting Practices**

(a) *General*

The financial statements of the University have been prepared in accordance with Canadian generally accepted accounting principles. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates, which may vary from actual results. Such estimates have been made using judgments determined by the University's administration. In administration's opinion, the resulting estimates are within reasonable limits of materiality and are in accordance with the significant accounting policies summarized below. These significant accounting policies are presented to assist the reader in evaluating these financial statements and, together with the following notes, should be considered an integral part of the financial statements.

(b) *Consolidated Statements*

The financial statements are prepared on a consolidated basis and include the consolidated accounts of University Technologies International Inc. (UTI), a wholly-owned subsidiary of the University, and the accounts of The Arctic Institute of North America (AINA), a non-profit organization controlled by the University. UTI is incorporated under the Canada Business Corporations Act to facilitate the transfer of intellectual property from the University to private business. AINA operates under the authority of the Act of the Federal Parliament (9-10 George VI, Chapter 45) to initiate, encourage and support northern research and to advance the study of arctic conditions and problems.

(c) *Revenue Recognition*

Operating grants are recognized as revenue, either in the period receivable, or, where a portion of the grant relates to a future period, it is deferred and recognized in the subsequent period. Unrestricted contributions are recognized as revenue when received, or when receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted investment income is recognized as revenue as earned.

Tuition fees and the sale of services and products are recognized as revenue at the time the services are substantially provided or the products are delivered. Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined. Pledges are recognized as revenue when collected.

The University recognizes restricted contributions in accordance with the deferral method, as summarized below:

Contributions, including investment income, restricted for purposes other than endowment or the acquisition of capital assets are deferred and recognized as revenue in the year in which related expenses are incurred.

Contributions restricted for the acquisition of capital assets are initially recorded as deferred capital contributions until the contribution is invested in capital assets. Amounts representing funded capital assets are then transferred to unamortized deferred capital contributions and amortized as deferred capital contributions in the periods in which the related amortization expense of the funded capital asset is recognized.

Contributions restricted for the acquisition of non-consumable capital assets are initially recorded as deferred contributions, and when expended, are recognized as direct increases to net assets.

Endowment contributions, including investment earnings, are recognized as direct increases to net assets. That portion of investment earnings, which in accordance with agreements with benefactors or the authority provided by Section 76(2)(c) of The Post-Secondary Learning Act, used to fund the annual endowment spending allocation is transferred to investment income (Note 14).

(d) *Investments*

Short-term investments are recorded at the lower of cost or market.

Long-term investments are recorded at market value. Market value is determined based on the current market price of the underlying asset. Changes in market value from one period to the next are included in the investment income (loss) for the period (Note 14). Such investment income (loss) is included in revenue in accordance with the University's revenue recognition policies (Note 2c).

(e) *Inventories*

Inventories are valued at the lower of cost and net realizable value.

(f) *Patents*

Patents are recorded at cost and include acquisition and maintenance costs. The carrying value of patents related to a project is limited to the estimated future net cash flows expected to be derived from the project. Patent cost in excess of estimated future net cash flows are written off.

Patents are amortized on a straight-line basis over a 10 year estimated useful life.

(g) *Capital Assets and Collections*

Capital assets and collections are recorded at cost as acquired. Donations of capital assets and collections in kind are capitalized at fair value when received and a fair value can be reasonably determined.

Buildings include construction in progress. The costs of buildings under construction are not amortized until construction is substantially complete and the assets are ready for productive use.

Collections are not amortized and include that portion of library assets considered to have permanent value and works of art held for education and public exhibition purposes.

Amortization is recorded on a straight-line basis over the estimated useful lives of the capital assets, as follows:

- Buildings	40 years
- Site improvements and utilities	20 years
- Telecommunication equipment, furnishings and library acquisitions	10 years
- Equipment	10 years, average
- Software	3 years

(h) *Employee Future Benefits*

The University participates with other employers in the Universities Academic Pension Plan and the Public Service Pension Plan. These pension plans are multi-employer defined benefit pension plans that provide pensions for the University's participating employees based on years of service and earnings. Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates that are expected to provide for benefits payable under the respective pension plans. The University does not record the University's portion of the pension plans' deficit or surplus.

The University has a number of defined benefit plans providing long-term disability, early retirement incentives and pension benefits. The early retirement plans were available to employees from 1992 to 1998. The cost of these benefits is actuarially determined using the projected benefit method pro rated on services, a market interest rate and management's best estimate of the retirement ages of employees, expected health care costs and the terms of employee disability agreements. With respect to employees on long-term disability, actuarial gains and losses are amortized over the average expected term of the payments. With respect to the early retirement incentive plan, actuarial gains and losses are recognized immediately. With respect to the supplemental pension obligation, for each plan participant, the balance of actuarial gains and losses in excess of 10% of the accrued benefit obligation is amortized over the expected service lifetime.

(i) *Credit, Interest Rate and Market Risk*

The University's accounts receivable are due from a diverse group of customers and are subject to normal credit risks.

The interest rate risk is the risk to the University's earnings that arises from the fluctuations in interest rates and the degree of volatility of these rates.

The market risk is the risk to the University's earnings that arises from the fluctuations and degree of volatility in the market value of its long-term investments.

(j) *Financial Instruments*

The carrying value of financial assets and financial liabilities are considered to approximate fair value unless otherwise disclosed.

Note 3 Cash and Cash Equivalents and Investments

				2004		2003
	Cash & Cash Equivalents (1)	Current Investments (2)	Total Cost	Total Market (3)	Total Cost	Total Market
Money market investments	$ 103,101	$ -	$ 103,101	$ 103,101	$ 86,682	$ 86,682
Bank balances	5,879	-	5,879	5,879	785	785
Bonds (4)	-	95,440	95,440	97,604	88,253	88,281
Shares	-	716	716	723		
Balance, end of year	$ 108,980	$ 96,156	$ 205,136	$ 207,307	$ 175,720	$ 175,748
Total, 2003	$ 87,467	$ 88,253	$ 175,720	$ 175,748		

(1) Money market investments are purchased at a discount. These investments must be rated R-1 low or better (rated by Dominion Bond Rating Service). At March 31, 2004 the investments held have an average effective yield of 2.30% (2003 – 3.41%) and will mature within 36 days (2003 – 30 days). Commencing in 2004, the University of Calgary invested in an externally managed money market fund with an average yield of 2.62%. The combined average realized return on money market investments for 2004 was 2.95% (2003 – 3.23%).

(2) Current investments consist primarily of bonds that have a maximum allowable term of eight years and stated interest ranging from 3.50% to 8.40% (2003 – 3.72% to 10.25%). All bonds have a rating of a single "A" or better. Effective yield for bonds is calculated based on carrying values at year-end and is disclosed on a weighted average basis using the duration method.

(3) Market value approximates fair value of investments.

(4) The effective yields on bonds are as follows:

	2004		2003	
	Effective Yield	**Cost**	**Effective Yield**	**Cost**
Current Investments - Bond Maturity				
0-2 years to maturity	**4.15%**	**9,509**	4.86%	11,656
2-5 years to maturity	**4.16%**	**68,454**	4.89%	61,008
> 5 years to maturity	**5.26%**	**17,477**	5.50%	15,589
Total		**$ 95,440**		$ 88,253

Note 4 Long-Term Investments

	2004		2003	
	Market Yield		Market Yield	
Money market investments		**$ 274**		$ 4,975
S&P/TSX Index	37.71%	**83,527**	-17.52%	66,183
Bond index	10.73%	**81,305**	9.13%	68,713
International index	41.25%	**55,501**	-28.64%	40,311
S & P 500 index	20.74%	**53,561**	-30.56%	41,268
Canadian shares	-	**2,036**	-	1,418
U.S. Shares	-	**60**	-	95
Investment in joint venture	-	**217**	-	123
Balance, end of year		**$ 276,481**		$ 223,086

Note 5 Other Long-term Assets

	2004	2003 (as restated, note 20)
Capital grant due from the Province of Alberta (1)	**$ 30,700**	$ 30,700
Capital lease receivable (2)	**15,881**	15,959
Other long-term assets	**1,072**	1,263
Patents (3)	**1,064**	1,046
	48,717	48,968
Current portion in Accounts Receivable	**(31,035)**	(258)
Balance, end of year	**$ 17,682**	$ 48,710

(1) When the capital grant is received, $15,959 will be recorded as revenue from the Government of Alberta and the remainder of the grant will be transferred from Deferred Capital Contributions to Unamortized Deferred Capital Contributions.

(2) The University and the Calgary Health Region entered into a 25-year agreement for the Region to lease space in the University Research Centre Building. This lease has been accounted for as a capital lease. The University's capital lease receivable is $15,881 (2003 - $15,959). The future minimum lease payments for the next five fiscal years are as follows: 2005 - $142; 2006 - $153; 2007 - $165; 2008 - $177; 2009 - $230.

(3) The cost of patents is $1,925 (2003 – $2,001) and the accumulated amortization is $861 (2003 – $955). During the year patents with a net book value of $76 were written off (2003 - $119).

Note 6 Capital Assets and Collections

	2004			2003		
	Cost [2]	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net (as restated, note 20)
Buildings and plant	$ 748,545	$ 341,570	$ 406,975	$ 709,741	$ 307,462	$ 402,279
Furnishings, equipment and systems [1]	368,039	240,519	127,520	338,397	219,928	118,469
Library books	119,945	93,318	26,627	112,334	88,295	24,039
Software	33,326	30,058	3,268	29,041	21,874	7,167
Land	23,954	-	23,954	22,827	-	22,827
Art collection	7,375	-	7,375	6,959	-	6,959
Rare books and archives collection	3,044	-	3,044	2,961	-	2,961
Balance, end of year	$1,304,228	$ 705,465	$ 598,763	$1,222,260	$ 637,559	$ 584,701

(1) *Capital Leases*

Included in furnishings, equipment and systems are assets under capital leases in the amount of $2,109 (2003 - $1,524). Accumulated amortization is $679 (2003 – $197) on these assets.

(2) *Donated Assets*

Capital acquisitions during the year included donations-in-kind in the amount of $11,379 (2003 - $12,009).

Note 7 Deferred Contributions

Deferred contributions represent unspent externally restricted grants and donations. Changes in the deferred contributions balance are as follows:

	2004		2003	
	Research & Other (1)	Capital	Research & Other (1)	Capital
			(as restated, note 20)	
Contributions received during the year:				
Government of Alberta grants	$ 83,790	$ -	$ 67,091	$ 13,118
Other government grants	100,269	-	82,087	-
Sales	1,305	-	2,796	-
Donations (2)	66,907	4,384	53,378	11,008 (2)
Investment income	9,684	124	8,886	88
	261,955	4,508	214,238	24,214
Transferred to revenue:				
Government of Alberta grants	46,872	-	44,601	-
Other government grants	75,767	-	66,192	-
Sales	1,500	-	3,281	-
Donations	51,960	-	36,802	-
Investment income	11,424	-	12,964	-
	187,523	-	163,840	-
Net change in accounts receivable	3,565	-	1,146	-
Transferred to unamortized deferred capital contributions (note 8)	(65,994)	(3,810)	(45,840)	(1,701)
Transferred to investment in capital assets	(6)	(247)	(1)	(9,413) (2)
Transferred from unrestricted accounts	231	-	42	168
Increase during the year	12,228	451	5,745	13,268
Balance, beginning of year	$ 153,999	$ 22,326	$ 148,254	$ 9,058
Balance, end of year	$ 166,227	$ 22,777	$ 153,999	$ 22,326

(1) Includes research grants expended for capital and other purposes.

(2) The prior year comparative figures have been restated to include an offsetting contribution and transfer to investment in capital asset of $8,770.

Note 8 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the externally funded portion of capital assets, which will be recognized as revenue in future periods. Changes in the unamortized deferred capital contributions balance are as follows:

	2004	2003 (as restated, note 20)
Transfer from Deferred Contributions (note 7)	$ 69,804	$ 47,541
Amortized to revenue	(57,861)	(53,405)
Increase (decrease) during the year	11,943	(5,864)
Balance, beginning of year (note 12)	361,885	367,749
Balance, end of year	$ 373,828	$ 361,885

Note 9 Long-term Liabilities

	Rate of Interest	Original Advance	2004	2003
Debenture for University Research Centre, due June 3, 2005	4.750%	$ 30,700	$ 30,700	$ 30,700
Mortgage for University Research Centre, due April 1, 2012	-	5,500	4,492	5,042
Mortgage for Varsity Courts, due November 1, 2005	7.875%	3,714	458	720
Debenture for Car Park in MacEwan Student Centre, due October 1, 2006	9.750%	1,900	548	699
Debentures for Art Building, due December 15, 2006	9.75 % & 10%	11,700	3,385	4,317
Debenture for Norquay, Brewster and Castle Halls, due January 15, 2007	9.750%	3,953	1,140	1,455
Mortgage for the Dining Centre, Kananaskis and Rundle Halls, due March 1, 2016	5.125%	2,165	1,065	1,129
Debenture for Cascade Hall, due May 1, 2025	6.250%	16,500	15,574	15,901
			57,362	59,963
Due to Alberta Heritage Foundation for Medical Research			232	232
Minority interest in subsidiary companies			125	138
Obligation under capital leases			1,079	918
Long-term disability plans (note 10)			258	255
Early retirement incentive plans (note 10)			867	1,299
Supplemental pension obligations (note 10)			528	402
			60,451	63,207
Current portion of long-term liabilities			(3,652)	(3,497)
Balance, end of year			$ 56,799	$ 59,710

The debentures and mortgages are secured by land and buildings. The debentures and mortgages are carried at their face value. The estimated fair market value for mortgages and debentures as at March 31, 2004 is $ 62,584 (2003 - $62,121). The fair market value of long-term debt is determined by discounting future cash flows using market rates representing rates that the University could obtain at March 31, 2004 for loans with similar terms, conditions and maturities.

During the year, interest on long-term debt amounting to $3,128 (2003 - $3,103) has been charged to expense.

Principal payments on the mortgage and debentures during the next five fiscal years are as follows: 2005 - $2,783; 2006 - $33,551; 2007 - $2,868; 2008 - $1,045; 2009 - $1,076.

Payments on the early retirement incentive plans during the next five fiscal years are as follows: 2005 - $362; 2006 - $279; 2007 - $162; 2008 - $58; 2009 -$10.

The future minimum lease payments under capital leases are as follows:

	2005	630
	2006	140
	2007	129
	2008	129
	2009	97
Total minimum lease payments		1,125
Less imputed interest at an average interest rate of 6.30%		(46)
Balance of capital lease obligation		1,079

Note 10 Future Employee Benefits

The University has defined benefit plans that provide future employment benefits, which include long-term disability leave plans, retirement incentive plans and supplemental pension obligations. The early retirement plans were available to employees from 1992 to 1998. Information about the University's defined benefit plans is as follows:

			2004			2003
	Long Term Disability	Early Retirement Incentive	Supplemental Pension Obligation	Long Term Disability	Early Retirement Incentive	Supplemental Pension Obligation
Development of Expense						
Current service cost	$ -	$ -	$ 94	$ -	$ -	$ 78
Interest cost	25	50	35	26	75	26
Amortization of transitional obligation	-	-	1	-	-	1
Amortization of net actuarial losses	29	-	1	29	-	-
Curtailment	-	-	-	-	-	22
Expense	$ 54	$ 50	$ 131	$ 55	$ 75	$ 127
Financial Status						
Plan assets	-	-	-	-	-	-
Accrued Benefit Obligation	518	867	626	544	1,299	439
Funded status - plan deficit	(518)	(867)	(626)	(544)	(1,299)	(439)
Unamortized net actuarial losses	260	-	94	289	-	33
Unamortized transitional obligation	-	-	4	-	-	4
Accrued benefit liability (note 9)	$ (258)	$ (867)	$ (528)	$ (255)	$ (1,299)	$ (402)
Reconciliation of Accrued Benefit Obligation						
Accrued Benefit Obligation, beginning of year	544	1,299	439	569	1,944	322
Current service cost	-	-	94	-	-	78
Interest cost	25	50	35	26	75	26
Benefits paid	(51)	(482)	(5)	(51)	(720)	-
Actuarial loss	-	-	63	-	-	25
Curtailment gain	-	-	-	-	-	(12)
Accrued Benefit Obligation, end of year	$ 518	$ 867	$ 626	$ 544	$ 1,299	$ 439

The significant actuarial assumptions adopted in measuring the University's accrued benefit obligations are as follows:

	Long Term Disability	Early Retirement Incentive	Supplemental Pension Obligation
Discount Rate	4.75%	4.75%	5.50%
Average compensation increase	n/a	n/a	4.0%
Annual inflation rates:			
Dental costs	3.00%	3.00%	n/a
Extended health care costs	7.0% [1]	7.0% [1]	n/a
Alberta health care costs	3%	3%	n/a

[1] 5% in 2008 and thereafter

The University participates with other employers in the Universities Academic Pension Plan and the Public Service Pension Plan. These pension plans are multi-employer defined benefit plans. The pension expense recorded in these financial statements is equivalent to an actuarially determined contributions payable of $15,478 for the year ended March 31, 2004 (2003 - $12,761). At December 31, 2003 the Public Service Pension Plan reported a deficit of $596,213 (2002 - $175,528).

The University Academic Pension Plan (UAPP) is a contributory defined benefit pension plan for academic staff members and other eligible employees of the Universities of Alberta, Calgary and Lethbridge, Athabasca University and The Banff Centre. At December 31, 2003, the UAPP reported an actuarial deficiency of $538,352 (2002 - $409,672, restated) consisting of a pre-1992 deficiency ($455,421) and a post 1991-deficiency ($82,931). The plan's unfunded liability, for service prior to January 1, 1992 is being financed by additional contributions of 1.25% (2002 – 1.25%) of salaries by the Province of Alberta with employers and employees equally sharing the balance of the contributions of 1.76% (2002 – 0.14%) of salaries required to eliminate the unfunded liability on or before December 31, 2043. The actuarial valuation shows that the present value at December 31, 2002 of the Province of Alberta's obligation for future additional contributions of $164 million. Effective January 1, 2004, the Plan's unfunded liability for service after December 31, 1991, as determined by an actuarial valuation at December 31, 2002 is financed by special payments of 1.26% of salaries shared equally between employees and employers over 15 years from the date of valuation until December 31, 2017.

Note 11 Net Assets Restricted for Endowment Purposes

Endowments consist of restricted contributions where the principal donation is required to be maintained in perpetuity (externally restricted) as well as internal allocations by the Board of Governors (internally restricted). The investment income generated from endowments must be used in accordance with the various purposes established by the donors or the Board of Governors. The economic value of the endowments are protected by limiting the amount of investment income that may be spent to 5% of the 4 year rolling market average of the principal donation, except as otherwise stipulated by the donor. Investment income earned in excess of this amount is added to the endowment principal. Under section 76(2)(c) of The Post-Secondary Learning Act, the University has the authority to alter the terms and conditions of an endowment to enable income earned by the endowment to be withheld from distribution to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment.

In any particular year, should net investment income be insufficient to fund the spending allocation or should the investment return be negative, the spending allocation is funded from the cumulative capitalized earnings. However, for individual endowment funds without sufficient cumulative capitalized earnings, endowment capital is used to fund the current year endowment spending allocation. This amount is expected to be recovered by future investment income.

			2004			2003
	External	Internal	Total	External	Internal	Total
Contributions received during the year [1]	$ 7,622	$ 286	$ 7,908	$ 9,519	$ 203	$ 9,722
Board approved transfers	400	(743)	(343)	134	30	164
Endowment spending allocation including fees [2]	(9,723)	(2,214)	(11,937)	(8,190)	(4,036)	(12,226)
Investment income (loss) [3]	51,207	9,933	61,140	(29,814)	(7,032)	(36,846)
Increase (decrease) during the year	49,506	7,262	56,768	(28,351)	(10,835)	(39,186)
Balance, beginning of year	176,232	41,465	217,697	204,583	52,300	256,883
Balance, end of year	$ 225,738	$ 48,727	$ 274,465	$ 176,232	$ 41,465	$ 217,697
Cumulative contributions	$ 139,329	$ 26,610	$ 165,939	$ 131,307	$ 26,324	$ 157,631
Cumulative capitalized earnings	86,409	22,117	108,526	44,925	15,141	60,066
Balance, end of year	$ 225,738	$ 48,727	$ 274,465	$ 176,232	$ 41,465	$ 217,697

(1) In 2004, contributions include $88 in reclassification of endowments from external to internal.

(2) In 2003 the endowment spending allocations were funded by transfers from cumulative capitalized earnings.

(3) Investment income (loss) does not include realized investment income (loss) that is recorded directly on the consolidated statement of revenue and expense and not through the consolidated statement of changes in net assets.

Note 12 Net Assets Investment in Capital Assets and Collections

	2004	2003 (as restated, note 20)
Capital assets and collections, at cost	$ 1,304,228	$ 1,222,260
Accumulated amortization	(705,465)	(637,559)
Other assets, at cost	1,925	2,001
Accumulated amortization other assets	(861)	(955)
Net book value	599,827	585,747
Less amounts financed by:		
Unamortized deferred capital contributions (note 8)	(373,828)	(361,885)
Long-term debt	(37,422)	(38,297)
Balance, end of year	$ 188,577	$ 185,565

Note 13 Net Assets Internally Restricted

Internally restricted net assets represent amounts set aside by the University's Board of Governors for specific purposes. These amounts are not available for other purposes without the approval of the Board. At March 31, 2004, net assets have been set aside for the following purposes:

	2004	2003
Administrative Systems Renewal	$ 5,200	$ -
Subsidiaries	4,870	4,548
Indirect Research Support	3,302	1,027
Strategic Reinvestments	3,000	-
Faculty and Departmental	2,845	1,870
Balance, end of year	$ 19,217	$ 7,445

Note 14 Investment Income

	2004	2003
Gain (Loss) on externally restricted endowments	$ 51,229	$ (28,505)
Gain (Loss) on internally restricted endowments	11,065	(6,968)
Gain (Loss) on non endowed investments	11,269	(15,899)
	73,563	(51,372)
Amounts previously deferred and recognized in year	1,740	4,078
Amounts credited directly to capital contributions	(124)	(88)
(Income) loss (capitalized) charged to externally restricted endowments	(45,491)	28,505
Total Investment income (loss) recognized as revenue	$ 29,688	$ (18,877)

Note 15 Salaries and Benefits

In accordance with Directive 12/98 from the Treasury Board of the Province of Alberta dated December 16, 1998, the salaries and benefits of the University's senior decision management group are disclosed as follows:

			2004	2003
	Salaries (1)	Benefits and Allowances (2)	Total	Total
Governance (3)				
Chair of the Board of Governors	$ -	$ -	$ -	$ -
Members of the Board of Governors	-	-	-	-
Executive				
President	275	116	391	377
Vice-President				
Provost and Academic	220	57	277	257
Finance and Services (4)	165	39	204	209
Research & International	165	37	202	195
External Relations (5)	175	49	224	96
Total	$ 1,000	$ 298	$ 1,298	$ 1,134

(1) *Salaries*

Salaries include regular base pay and honorariums.

(2) *Benefits and Allowances*

Benefits and allowances include the University's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plan, workers compensation, supplemental pension plans and professional expense allowance. Benefits reported for the President include a housing allowance. Benefits reported for the President and Vice-Presidents include car allowances or the taxable benefit for the use of University leased vehicles.

(3) *Governance*

The Board of Governors governs the University. Members are either appointed or serve in an ex-officio capacity. They may be employed by the University, but do not receive remuneration for their participation on the Board.

(4) *Vice-President, Finance and Services*

More than one individual held this position during the year ended March 31, 2004.

(5) *Vice-President, External Relations*

This position was filled in November 2002.

Note 16 Budget Comparison

The University's 2003-2004 budget was approved by the Board of Governors on June 20, 2003.

	2004		2003	
	Budget	Actual	Budget	Actual (as restated, note 20)
REVENUE				
Government of Alberta grants & Other Government grants	$ 321,817	$ 345,797	$ 296,379	$ 319,777
Donations and other grants	60,328	63,068	69,811	45,737
Credit tuition and related fees	109,492	113,562	92,602	103,871
Non-credit tuition and related fees	15,163	13,326	14,787	14,240
Sales of services and products	64,394	68,425	71,551	68,571
Amortization of deferred capital contributions	53,607	57,861	49,263	53,405
Investment income	20,825	29,688	27,836	(18,877)
	645,626	691,727	622,229	586,724
EXPENSE				
Salaries & Benefits	386,814	395,106	364,479	373,683
Materials, supplies & services, travel, cost of goods sold, maintenance & repairs	147,852	149,260	140,694	138,303
Amortization of capital assets	69,514	78,151	64,223	69,372
Utilities	26,777	24,517	21,499	26,244
Scholarships, grants and awards	18,961	22,945	21,077	18,219
Financing	3,769	3,665	1,768	3,103
	653,687	673,644	613,740	628,924
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE	$ (8,061)	$ 18,083	$ 8,489	$ (42,200)

Note 17 Pledges

Outstanding pledges at March 31, 2004 are $4,997 (2003 - $9,153) and have not been recorded as accounts receivable. These pledges are expected to be honored over the next several years.

Note 18 Commitments and Contingencies

(a) As at March 31, 2004 the University has contractual commitments of $122,372 (2003 - $722) for capital projects.

(b) The University is a defendant in a number of legal proceedings. Claims against the University in these proceedings have not been reflected in these financial statements. While the ultimate outcome of these proceedings cannot be predicted at this time, it is the opinion of the University and its legal counsel that the resolution of these claims will not have a material effect on the financial position of the University. Any loss that may result from these proceedings will be accounted for in the period in which the settlement occurs.

(c) The University is one of the members of CURIE, the Canadian Universities Reciprocal Insurance Exchange, a self-insurance reciprocal established to share the insurable property, liability and errors and omissions risk of member universities. The projected cost of claims against the exchange is based on actuarial projections and is funded through the members' premiums. As at December 31, 2003 CURIE had a surplus of $100 (2002 - $4,072) of which the University's pro rata share is approximately 7.07 % (2002 – 7.91%) on an ongoing basis.

(d) The University's commitments for operating leases for the next five years are as follows: 2005 - $ 1,205; 2006 – $ 987; 2007 – $ 696; 2008 – $ 470; 2009 – $ 474.

(e) In order to manage its exposure to the volatility in the electrical industry, the Board of Governors entered into a three year contract (91.9% fixed, 8.1% floating) to fix its electrical cost at an average of approximately $0.085 per kilowatt hour, expiring on December 31, 2006. Using best estimates of future consumption levels, the annual costs for the year ending March 31, 2005 are expected to be approximately $ 11.0 million.

Note 19 Related Party Transactions

(a) The University is a Provincial Corporation as all the members of the Board of Governors are appointed by a combination of orders by the Lieutenant Governor in Council and the Minister of Learning. Transactions between the University and the Province of Alberta are summarized as follows:

	2004	2003
Alberta Learning:		
Operating grant	$ **185,250**	$ 175,968
Access grants	**26,524**	23,412
Miscellaneous grants	**4,165**	2,800
Performance funding	**2,000**	-
Capital grant	**-**	30,700
Total Alberta Learning grants	**217,939**	232,880
Other provincial departments and agencies	**87,771**	55,326
Total Government of Alberta grants received	**305,710**	288,206
Provincial grants deferred	**(37,018)**	(35,708)
Earned Government of Alberta grants	$ **268,692**	$ 252,498

At March 31, 2004 the University had a receivable from the Province of Alberta of $43,000 (2003 - $7,774), a payable to the Province of Alberta of $0 (2003 - $10), long-term accounts receivable of $0 (2003 - $30,700) and long-term liabilities of $232 (2003 – $232).

(b) The Calgary Health Region and the Province of Alberta are related parties as the Region's board is appointed by the Minister of Health and Wellness. As the University and the Province of Alberta are related parties, the Calgary Health Region is a related party to the University. Transactions between the University and the Calgary Health Region are summarized as follows. The 2003 comparatives have been restated.

	2004	2003
The University of Calgary pays to the Calgary Health Region in the normal course of operations amounts related to physicians, research projects, studies and grants, programs, and support services.	$ **9,681**	$ 9,025
The University of Calgary receives from the Calgary Health Region in the normal course of operations amounts related to salaries & benefits, utilities, materials, supplies, and overheads.	**17,532**	16,808
Net receivable to the University of Calgary by the Calgary Health Region:	$ **2,471**	$ 2,226

The University will be entering into a lease agreement with the Region to lease 32 acres of land to the Region for the site of the new Alberta Children's Hospital. The book value of the leased land is $2,562.

Effective September 2003 the University and the Calgary Health Region entered into a 25-year agreement for the Region to lease space in the University Research Centre Building. This lease has been accounted for as a capital lease. At March 31, 2004, the carrying value of the lease receivable is $15,881. During the year the University received $769 in lease payments, $691 of which was recognized as interest income.

(c) The University of Calgary Foundation (1999) is a private foundation, which operates to receive gifts and donations and to periodically provide grants to the University. During the year, the University received grants from the Foundation totaling $152 (2003 - $349). At March 31, 2004 the University was holding $257 on behalf of the Foundation (2003 - $254).

(d) The University of Calgary Medical Group (UCMG) is a not-for-profit organization that provides billing services to the members of UCMG in accordance with an Agency Agreement and a Member Agreement. These agreements govern the activities of the group such as billings, collections and accounting services. Effective January 1, 2001, a clinical service levy, based on percentages of individual member's medical revenue is paid to the University of Calgary.

(e) The McMahon Stadium Society is incorporated under the Societies Act as a not-for-profit organization. It operates to improve and manage the McMahon stadium together with its facilities for sports, recreation and other useful purposes. The University of Calgary owns the stadium land and facilities and leases it to the society for $1 a year. The current lease agreement expires April 30, 2005. During the year, the University of Calgary paid $149 (2003 - $172) to the McMahon Stadium Society for utilities and supplemental costs incurred as a result of the University's use of the facilities.

(f) The University has a one-third joint venture interest in the Campus Alberta: Graduate Program in Counseling. The University, along with Athabasca University and the University of Lethbridge formed the joint venture to develop and deliver a collaborative Alberta Graduate Counseling Program. These transactions are entered into on the same business terms as with non-related parties and are recorded at these fair value amounts. The University's share of revenue and expenses has been recorded using the equity method of accounting. The University's share of joint venture earning for the year is $94 (2003 - $32). The University's equity in the joint venture at March 31, 2004 is $217 (2003 - $123).

(g) In 2004 and 2003, the University participated in offering certain courses with other public colleges, universities, and institutes. The revenues and expenses incurred for these courses have been included in the consolidated statement of revenue, expenses and unrestricted net assets, but have not been separately quantified.

Note 20 Correction of Error

(a) During the year the University received independent appraisals for capital donations-in-kind that had previously been recorded at a nominal value. The fair market value of the capital donations-in-kind has now been recorded in the financial statements.

(b) During the prior year the University incorrectly recorded a lease as an operating rather than a capital lease. The University has now recorded this transaction as a capital lease and removed the related asset from the financial statements. The University also incorrectly capitalized an asset that was owned by a related party. This asset has now been removed from the financial statements. In addition, errors were made in relation to the classification of funding for certain assets. All transactions have now been corrected in the financial statements.

These changes have been applied retroactively with restatement of comparative numbers. The impact on the prior year financial statements as a result of the correction of errors is as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(thousands of dollars)

			2003
	As Previously Reported	Correction of Error	As Restated Before Reclassification
Consolidated Statement of Financial Position			
Increase (decrease) in:			
Other Long-term Assets	-	15,959	15,959
Capital assets and collections	600,951	(16,250)	584,701
Deferred capital contributions	38,392	(16,066)	22,326
Unamortized deferred capital contributions	361,385	500	361,885
Investment in capital assets and collections	185,762	(197)	185,565
Unrestricted	-	560	560
Consolidated Statement of Revenue and Expense			
Increase (decrease) in:			
Sales of services and products	68,650	(79)	68,571
Amortization of deferred capital contributions	53,323	82	53,405
Materials, supplies and services	86,352	(171)	86,181
Amortization of capital assets	70,002	(630)	69,372
Decrease in deficiency of revenue over expense	(43,005)	798	(42,207)
Consolidated Statement of Cash Flows			
Increase (decrease) in:			
Operating activities	(6,504)	164	(6,340)
Investing activities	(48,221)	(559)	(48,780)
Financing activities	87,963	391	88,354

			2002
	As Previously Reported	Correction of Error	As Restated Before Reclassification
Consolidated Statement of Financial Position			
Increase (decrease) in:			
Accounts receivable	56,912	79	56,991
Capital assets and collections	563,513	(680)	562,833
Unamortized deferred capital contributions	368,000	85	368,085
Investment in capital assets and collections	168,014	(767)	167,247
Unrestricted	7,109	78	7,187

Note 21 Comparative Figures

Certain 2003 figures have been reclassified to conform to the 2004 presentation.

Note 22 Approval of Financial Statements

These financial statements have been approved by the Board of Governors following the recommendation of the Audit Committee.

THE ARCTIC INSTITUTE OF NORTH AMERICA
Financial Statements

For the year ended March 31, 2004

Auditor's Report

Financial Statements:

- Statement of Financial Position
- Statement of Revenue and Expense
- Statement of Changes in Net Assets
- Statement of Cash Flows
- Notes to Financial Statements
- Schedule 1 – Arctic Journal Statement of Operations

AUDITOR
GENERAL
Alberta

Auditor's Report

To the Board of Governors of
The University of Calgary

I have audited the statement of financial position of the Arctic Institute of North America as at March 31, 2004 and the statements of revenue and expense, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Institute's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Institute as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
May 28, 2004

THE ARCTIC INSTITUTE OF NORTH AMERICA
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2004

	2004	2003 (as restated, note 15)
ASSETS		
Current Assets		
Due from University of Calgary	**$778,163**	$773,516
Petty cash	**400**	400
Accounts receivable	**89,953**	100,283
Inventory	**19,212**	20,886
Prepaid expenses	**9,488**	10,583
	897,216	905,668
Investments (note 3)	**969,302**	686,486
Capital assets and collections (note 4)	**557,273**	558,333
	$2,423,791	$2,150,487
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued charges	**$58,424**	$91,109
Deferred revenue	**80,210**	73,415
Deferred contributions (note 5)	**80,293**	141,390
	218,927	305,914
Unamortized deferred capital contributions	**30,385**	30,722
Net Assets		
Unrestricted net assets	**1,071,746**	874,396
Investment in capital assets	**526,888**	527,611
Internally restricted net assets (note 7)	**182,208**	104,252
Endowments (note 8)	**393,637**	307,592
	2,174,479	1,813,851
	$2,423,791	$2,150,487

The accompanying notes and schedule are part of these financial statements.

THE ARCTIC INSTITUTE OF NORTH AMERICA
STATEMENT OF REVENUE AND EXPENSE
FOR THE YEAR ENDED MARCH 31, 2004

	2004	2003
		(as restated, note 15)
Revenue		
University of Calgary and government grants	**$463,642**	$520,946
Sales	**390,127**	359,680
Donations and other grants	**211,174**	190,446
Investment income (loss) (note 9)	**194,335**	(54,014)
Earned capital contributions	**3,309**	2,714
	1,262,587	1,019,772
Expense		
Salaries (note 11)	**512,265**	516,897
Benefits (note 11)	**77,998**	74,870
Materials	**285,167**	337,011
Grants and scholarships	**36,365**	41,961
Amortization	**21,249**	19,334
Travel and Meeting	**20,386**	27,390
	953,430	1,017,463
Excess of revenue over expense	**$309,157**	$2,309

The accompanying notes and schedule are part of these financial statements.

THE ARCTIC INSTITUTE OF NORTH AMERICA
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2004

	Internally Restricted	Unrestricted	Investment in Capital Assets & Collections	Restricted for Endowment Purposes	2004 Total	2003 Total (as restated, note 15)
Net assets, beginning of year, as published	$104,252	$874,396	$527,611	$307,592	$1,813,851	$1,908,496
Correction of errors (note 15)	-	-	-	-	-	(66,616)
Net assets, as restated	104,252	874,396	527,611	307,592	1,813,851	1,841,880
Excess of revenue over expense	-	309,157	-	-	309,157	2,309
Transfer (to) from internally restricted	88,484	(88,484)	-	-	-	-
Unrealized gain (loss) on endowments - external	-	-	-	51,157	51,157	(31,838)
Unrealized gain on endowments - internal	-	(30,011)	-	30,011	-	-
Acquisition of internally funded capital assets	(10,528)	(6,375)	16,903	-	-	-
Acquisition of non-amortizable capital assets	-	-	314	-	314	-
Amortization of internally funded capital assets	-	17,940	(17,940)	-	-	-
Endowment contributions	-	-	-	-	-	1,500
Internal transfer to endowments	-	(4,877)	-	4,877	-	-
Net assets, end of year	$182,208	$1,071,746	$526,888	$393,637	$2,174,479	$1,813,851

The accompanying notes and schedule are part of these financial statements.

THE ARCTIC INSTITUTE OF NORTH AMERICA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2004

	2004	2003 (as restated, note 15)
Cash provided from (used in):		
Operating Activities		
Excess of revenue over expense	**$309,157**	$2,309
Items not affecting cash flow:		
Amortization of capital assets	**21,249**	19,334
Amortization of deferred capital contributions	**(3,309)**	(2,714)
(Gain) Loss on non-endowed and internally restricted endowment investments	**(145,676)**	67,760
Net change in non-cash working capital	**(73,888)**	(55,056)
	107,533	31,633
Investing Activities		
Purchase of capital assets, net	**(20,189)**	(14,349)
Contribution of non-amortizable assets	**314**	-
Increase in long-term investments, net	**(85,983)**	(5,689)
(Gain) Loss on investments related to externally restricted endowments	**(51,157)**	31,839
	(157,015)	11,801
Financing Activities		
Endowment contributions	**-**	1,500
Capital contributions	**2,972**	6,011
Gain (Loss) on externally restricted endowments	**51,157**	(31,839)
	54,129	(24,328)
Increase in cash and cash equivalents	**4,647**	19,106
Due from University of Calgary, at beginning of year	**773,516**	754,410
Due from University of Calgary, at end of year	**$778,163**	$773,516

	2004	2003
Net change in non-cash working capital:		
Decrease (increase) in Accounts receivable	**$10,330**	($40,183)
Decrease in Inventory	**1,674**	915
Decrease (increase) in Prepaid expenses	**1,095**	(3,991)
(Decrease) increase in Accounts payable	**(32,685)**	23,416
Increase (decrease) in Deferred revenue	**6,795**	(16,839)
Decrease in Deferred contributions	**(61,097)**	(18,374)
	($73,888)	($55,056)

The accompanying notes and schedule are part of these financial statements.

THE ARCTIC INSTITUTE OF NORTH AMERICA
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2004

Note 1 Authority and Purpose

The Arctic Institute of North America (the "Institute") operates under authority of an Act of the Federal Parliament (9 – 10 George VI, Chapter 45). Its objective is to initiate, encourage and support northern research and to advance the study of arctic conditions and problems.

Under a 1979 agreement between the Institute and the University of Calgary, the Institute vested its control and management with the University.

The Institute is a charitable organization and is exempt from payment of income tax under the Income Tax Act of Canada.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

(a) General

The financial statements of the Institute have been prepared in accordance with Canadian generally accepted accounting principles. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates which may vary from actual results. Such estimates have been made using judgments determined by the Institute's administration. In administration's opinion, the resulting estimates are within reasonable limits of materiality and are in accordance with the significant accounting polices summarized below. These significant accounting policies are presented to assist the reader in evaluating these financial statements and, together with the following notes, should be considered an integral part of the financial statements.

(b) Revenue Recognition

Operating grants are recognized as revenue in the period receivable. If a portion of a grant relates to a future period, that portion is deferred and recognized in the subsequent period.

Unrestricted cash donations are recognized as revenue when they are received. Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

Externally restricted non-capital contributions are deferred and are recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for the purposes designated by external parties. Any externally restricted contributions containing stipulations that the amounts should be retained as net assets or that the contributions should not be expended are recorded as direct increases in net assets. Such stipulations would include contributions made for endowment purposes or to be used to acquire non-amortizable property such as collections.

Externally restricted capital grants are recorded as deferred capital contributions until the amount is invested in capital assets. Amounts invested representing funded capital assets are then transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded. The related portion of amortization expense and the deferred capital contribution revenue are matched to indicate that the related amortization expense has been funded.

Amounts received for the sales of services and products are classified as unearned and recognized as revenue at the time the products are delivered or the services are substantially provided.

(c) *Inventory*

Inventory of publications held for resale is valued at the lower of cost and net realizable value.

(d) *Due from University of Calgary*

Due from University of Calgary represents the Institute's cash held by the University of Calgary.

(e) *Investments*

Investments consist of units held in The University of Calgary pool of index funds. Cash and cash equivalents and investments are held in trust by the Institute's parent, The University of Calgary. Investments are recorded at market value. Market value is determined based on the current market price of the underlying asset. Changes in market value from one period to the next are included in the investment income (loss) for the period (Note 9). Such investment income (loss) is included in revenue in accordance with the revenue recognition policy (Note 2b).

(f) *Capital Assets and Collections*

Capital assets and collections are recorded at cost as acquired. Gifts of capital assets and collections in kind are capitalized at fair value when a fair value can be reasonably determined. Capital assets are amortized on a straight-line basis over the average useful lives of the capital assets which are:

Buildings	30 years
Leasehold improvements	20 years
Furnishing and equipment	10 years
Computer equipment	3 years

Collections are not amortized and include that portion of library assets considered to have permanent value and works of art, carvings, historic films, sound records and tape recordings which are held for educational and public exhibition purposes. If sold, collections are removed from the accounts at their book value and any proceeds from their sale are used to acquire other items to be added to the collections.

(g) *Employee Future Benefits*

The Institute participates in the University Academic and the Public Service Pension Plans. These pension plans are multi-employer defined benefit pension plans that provide pensions for the Institute's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the respective pension plan. The Institute's portion of the pension plans' deficit or surplus is not recorded by the Institute.

(h) *Credit, Interest Rate and Market Risk*

The Institute's accounts receivable are due from a diverse group of customers and are subject to normal credit risks.

The interest rate risk is the risk to the Institute's earnings that arises from the fluctuations in interest rates and the degree of volatility of these rates.

The market risk is the risk to the Institute's earnings that arises from the fluctuations in interest rates and the degree of volatility of these rates.

(i) *Financial Instruments*

The carrying value of the financial assets and financial liabilities are considered fair value unless otherwise disclosed.

Note 3 Investments

Periodically, the Institute's Board directs the University to transfer cash equivalents into long-term investments. The University manages the Institute's investments on behalf of the Institute. Investments include instruments in the following funds:

		2004		2003
	Market Yield		**Market Yield**	
S&P/TSX index	**37.71%**	**$295,634**	-17.52%	$209,881
Bond index	**10.73%**	**287,722**	9.13%	217,899
International index	**41.25%**	**196,406**	-28.64%	127,836
S&P 500 index	**20.74%**	**189,540**	30.56%	130,870
		$969,302		$686,486

Note 4 Capital Assets and Collections

	2004			2003
	Cost	Accumulated Amortization	Net	Net
Buildings and leasehold improvements	$105,017	$78,991	$26,026	$27,975
Furnishings and equipment	246,259	207,632	38,627	38,051
Collections	492,620	-	492,620	492,307
	$843,896	$286,623	$557,273	$558,333

Note 5 Deferred Contributions

Deferred contributions represent unspent contributions externally restricted for non-capital purposes. Deferred contribution balances are as follows:

	2004	2003
Contributions received (repaid) during the year:		
Grants	40,000	(44,766)
Sales	5,652	13,345
Donations and other grants	6,300	86,985
Investment income	15,074	-
	67,026	55,564
Transferred to revenue:		
Grants	12,217	52,837
Sales	11,317	5,324
Donations and other grants	83,951	9,860
Investment income	17,666	5,917
	125,151	73,938
Transferred to unamortized deferred capital contributions	2,972	-
Decrease during the year	(61,097)	(18,374)
Balance beginning of year	141,390	159,764
Balance end of year	80,293	141,390

The balance is restricted for:		
Scholarships	4,765	7,357
Research	75,528	134,033
	80,293	141,390

Note 6 **Pension Costs**

The Pension expense recorded in these financial statements is equivalent to the Institute's annual contributions payable of $25,830 for the year ended March 31, 2004 (2003 - $22,523).

Note 7 **Internally Restricted Net Assets**

The Board of Directors has designated funds for specific purposes. These are for:

	2004	2003
Kluane Field Station refurbishment	**$30,000**	$30,000
Research Associate Development fund	**3,164**	4,164
Maintenance – Kluane Lake Research Station	**10,000**	10,000
Publications	**60,284**	60,088
Arctic Science & Technology Information	**78,760**	-
	$182,208	$104,252

Note 8 **Endowments**

Endowments consist of restricted contributions where the principal is required to be maintained in perpetuity (externally restricted) as well as internal allocations by the Board of Directors (internally restricted). The investment income generated from endowments must be used in accordance with the purpose established by the donors or Board of Directors.

	Balance March 31, 2003	Contributions Received	Investment Income	Balance March 31, 2004
Externally Restricted:				
Jennifer Robinson Memorial	$52,810	-	**$13,661**	**$66,471**
Lorraine Allison Scholarship	24,535	-	**6,351**	**30,886**
Jim Bourque Scholarship Fund	16,337	-	**4,278**	**20,615**
Budget Calgary Educational Award	17,956	-	**5,126**	**23,082**
BP Canada Scholarship	52,109	-	**12,998**	**65,107**
Gerald Thompson Scholarship	33,690	-	**8,743**	**42,433**
	197,437	-	**51,157**	**248,594**
Internally Restricted:				
Life Members Endowment Fund	110,155	**4,877**	**30,011**	**145,043**
	$307,592	**$4,877**	**$81,168**	**$393,637**

Note 9 Investment Income (loss)

		2004		2003 (as restated, note 15)
Restricted investment income (loss) on resources held for endowments	$	15,074	$	(6,738)
Non-restricted investment income		30,994		14,567
Total net realized investment income		46,068		7,829
Net unrealized investment income (loss) – unrestricted		115,664		(52,826)
Net unrealized investment income (loss) – restricted for endowment		51,157		(31,839)
Net unrealized investment income (loss) – internal endowments		30,011		(14,934)
		242,900		(91,770)
Transfer from deferred contributions		2,592		5,917
Amounts credited directly to endowment principal		(51,157)		31,839
Investment income (loss)	$	194,335	$	(54,014)

Note 10 Related Party Transactions

(a) The Institute received operating grants of $362,985 (2003 - $382,005) from The University of Calgary. In addition, accommodation, basic office furnishings and certain other administrative and operating costs were borne by the University. These services are valued at $55,911 (2003 - $55,911), and are included in donations and other grants, and materials, supplies and services in these financial statements.

(b) During the year, the Institute administered a number of grants on behalf of The University of Calgary. These grants totalling $21,500 (2003 - $24,000) and related expenditures of $21,590 (2003 - $24,000) are not reflected in these financial statements but are reported in the financial statements of the University.

Note 11 Salaries, Wages and Benefits

	2004				2003	
	Full-time Equivalents	Salaries and Wages [1]	Benefits [2]	Total	Full-time Equivalents	Total
Board of Directors [3]	10.00	-	-	-	11.00	-
Executive Director	1.00	$80,449	$13,682	$94,131	1.00	$88,853
Other staff (average 2004 - $60,287 2003 - $59,489)	7.96	415,382	63,232	478,614	7.54	448,546
Non salaried		16,434	1,084	17,518		54,368
		$512,265	$77,998	$590,263		$591,767

(1) Salaries and wages include regular base pay, overtime, honoraria and any other direct cash remuneration.

(2) Benefits include the employer's share of all employee benefits including health care, group life, dental, employment insurance, worker's compensation and pension plans.

(3) Board of Directors is the number of individuals on the Board. They do not receive remuneration for their participation on the Board.

Note 12 Budget

The Institute's Board of Directors approved the budget on May 10, 2003

	2004		2003	
	Budget	Actual	Budget	Actual (as restated, Note 15)
Revenue				
University of Calgary and government grants	$446,814	$463,642	$441,077	$520,946
Sales	316,030	390,127	376,738	359,680
Donations & other grants	158,252	211,174	103,322	190,446
Investment income (loss)	41,190	194,335	41,854	(54,014)
Earned capital contributions	-	3,309	-	2,714
	962,286	1,262,587	962,991	1,019,772
Expense				
Salaries	512,042	512,265	504,358	516,897
Benefits	74,100	77,998	68,500	74,870
Materials	305,691	285,167	323,511	337,011
Grants and scholarships	17,000	36,365	18,000	41,961
Amortization	20,250	21,249	20,300	19,334
Travel & Meeting	23,999	20,386	24,499	27,390
	953,082	953,430	959,168	1,017,463
Excess of revenue over expense	$9,204	$309,157	$3,823	$2,309

Note 13 Future Removal and Site Renovations

The buildings that the Institute owns are located on leased land in the Yukon and Nunavut. The lease between the Government of the Yukon and the Institute is for 96 hectares and expires August 31, 2012. The lease of the land in Nunavut is for approximately 10 hectares and expires April 30, 2008.

Under the terms of the lease agreement between the Institute and the Yukon Government, the Institute is required to remove any buildings placed on the land during the lease term. The lease agreement between the Crown and the Institute on the land in Nunavut requires that the land be returned in a restored condition.

The cost to remove buildings and restore the land has not been recorded, as the amount is not estimable at this time.

Note 14 Funds Held on Behalf of Others

The Institute provides administrative support and holds certain funds on behalf of others. The balance as at March 31, 2004 is $36,623 (2003 - $59,655).

Note 15 Correction of Errors

As part of the ongoing financial review that occurred during the year, a number of differences between the financial statements and the financial reporting system were identified. These differences were adjusted as follows:

			2003
	As Previously Reported	Correction of Errors	As Restated
Statement of Financial Position			
Due from University of Calgary	785,057	(11,541)	773,516
Petty cash	-	400	400
Unrestricted net assets	885,538	(11,142)	874,396
Statement of Revenue and Expense			
Grants	518,272	2,674	520,946
Sales	366,658	(6,978)	359,680
Donations	203,455	(13,009)	190,446
Investment income	(41,314)	(12,700)	(54,014)
Grants and scholarships	67,392	(25,431)	41,961
Statement of Cash Flows			
Operating activities	42,774	(11,141)	31,633
Due from University of Calgary, opening balance	754,810	(400)	754,410

Note 16 **Comparative Figures**

Certain prior year's figures were reclassified to conform to current year presentation.

Note 17 **Approval of Financial Statements**

These financial statements have been approved by the Board of Directors of the Institute.

Schedule 1

THE ARCTIC INSTITUTE OF NORTH AMERICA
ARCTIC JOURNAL
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2004

	2004	2003 (as restated, note 15)
Revenue:		
Grants	11,324	11,104
Memberships and subscriptions	86,721	88,824
Back issues, page charges and reprints	32,339	23,340
Special issue	-	23,000
Investment income (loss)	2,508	(3,565)
Total revenue	132,892	142,703
Expense:		
Production and distribution	71,850	68,137
Salaries and benefits	61,151	79,595
Office	3,430	3,396
Special issue	-	14,027
Total expenditure before amortization	136,431	165,155
Amortization	1,502	205
Total expenditure	137,933	165,360
Deficiency of revenue over expense	(5,041)	(22,657)

The revenue and expense of the Arctic Journal are included as part of the revenue and expense on the Statement of Revenue and Expense

As part of the ongoing financial review that occurred during the year, a number of differences between the financial statements and the financial reporting system were identified. These 2003 results have been corrected as a result.

UNIVERSITY TECHNOLOGIES INTERNATIONAL INC.

Financial Statements

For the year ended March 31, 2004

Auditor's Report

Financial Statements:

- Consolidated Balance Sheet
- Consolidated Statement of Earnings and Retained Earnings
- Consolidated Statement of Cash Flows
- Notes to Consolidated Financial Statements
- Consolidated Schedule of Licensing and Royalty Revenue
- Consolidated Schedule of Product Development Revenue
- Consolidated Schedule of Sales Revenue
- Consolidated Schedule of Personnel Costs

AUDITOR
GENERAL
Alberta

Auditor's Report

To the Shareholder of University Technologies International Inc.

I have audited the consolidated balance sheet of University Technologies International Inc. as at March 31, 2004 and the consolidated statements of earnings and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
May 18, 2004

University Technologies International Inc.

Consolidated Balance Sheet
As at March 31, 2004

	2004	2003
Assets		
Current assets		
Cash and cash equivalents	$ **3,893,793**	$ 4,161,300
Accounts receivable	**297,895**	427,531
Income tax refund receivable *(note 9)*	**74,390**	-
Investment tax credit receivable *(note 9)*	**60,044**	49,398
Prepaid expenses	**15,922**	15,322
Inventory *(note 4)*	**93,116**	-
Restricted cash and cash equivalents *(note 5)*	**692,765**	637,880
	5,127,925	5,291,431
Investments *(note 6)*	**147,703**	182,217
Capital assets *(note 7)*	**58,152**	85,598
Intangible assets *(note 8)*	**1,083,106**	1,071,589
	$ **6,416,886**	$ 6,630,835
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ **586,863**	$ 806,981
Income taxes payable *(note 9)*	**-**	262,696
Deferred revenue	**692,765**	637,880
	1,279,628	1,707,557
Long-term debt *(note 10)*	**232,738**	233,003
Minority interest in subsidiary companies	**124,077**	137,030
	1,636,443	2,077,590
Shareholders' Equity		
Share capital *(note 14)*		
Common shares	**1**	1
Class "B" preferred shares	**670,159**	363,909
Class "B" preferred shares to be issued *(note 14)*	**-**	306,250
Contributed surplus	**1,974,197**	1,974,197
Retained earnings	**2,136,086**	1,908,888
	4,780,443	4,553,245
	$ **6,416,886**	$ 6,630,835

On behalf of the Board of Directors

WA Cochrane Director

Director

University Technologies International Inc.

Consolidated Statement of Earnings and Retained Earnings
For the year ended March 31, 2004

	2004		2003
	Budget	**Actual**	Actual
Revenue			
Net licensing and royalty revenue (Schedule 1)	$ 1,465,729	$ **1,539,715**	$ 2,043,124
Client contract revenue	91,700	**86,070**	80,725
Net product development revenue (Schedule 2)	48,669	**162,916**	54,513
Net sales revenue (Schedule 3)	-	**10,584**	-
Other	-	**2,764**	32
	1,606,098	**1,802,049**	2,178,394
Expenses			
Personnel (Schedule 4)	1,145,385	**1,389,009**	1,300,589
Operating	504,205	**654,372**	361,201
Interest	-	**47,450**	-
Amortization	227,200	**252,659**	246,302
Write down of patents	50,000	**75,737**	119,143
Other	223,140	**235,227**	294,098
	2,149,930	**2,654,454**	2,321,333
Expense reimbursements *(note 12)*	(591,500)	**(1,037,485)**	(914,433)
	1,558,430	**1,616,969**	1,406,900
Income before the following	47,668	**185,080**	771,494
Gain on sale of equity	-	**11,776**	-
Share of gain (loss) of equity investments	-	**(115)**	42
Share of loss of SemBioSys Genetics Inc. shares *(note 6)*	-	-	(319,044)
Recognized gain on issue of SemBioSys Genetics Inc. shares *(note 6)*	-	-	334,049
Interest income	80,000	**120,495**	95,540
Foreign exchange loss	-	**(12,786)**	(8,192)
Gain on disposal of capital assets	-	**50**	30
Write down of investments	-	-	(169,677)
	80,000	**119,420**	(67,252)
Earnings before income taxes and patronage payment	127,668	**304,500**	704,242
Patronage payment	-	-	(306,250)
Earnings before income taxes	127,668	**304,500**	397,992
Provision for current income taxes *(note 9)*	(27,734)	**(80,455)**	(146,877)
Earnings before minority interest	99,934	**224,045**	251,115
Minority interest in loss of subsidiary company	23,030	**3,153**	59,694
Net earnings for the year	$ 122,964	**227,198**	310,809
Retained earnings, beginning of year		**1,908,888**	1,598,079
Retained earnings, end of year		$ **2,136,086**	$ 1,908,888

University Technologies International Inc.

Consolidated Statement of Cash Flows
For the year ended March 31, 2004

	2004	2003
Cash provided by (used in)		
Operating activities		
Net earnings for the year	$ 227,198	$ 310,809
Add back non-cash items	313,417	460,423
Patronage payment	-	306,250
	540,615	1,077,482
Net change in non-cash working capital balances related to operations *(note 16)*	(531,930)	236,942
	8,685	1,314,424
Investing activities		
Purchase of capital and intangible assets	(557,921)	(647,396)
Cost recoveries on capital and intangible assets	245,503	265,756
Proceeds on sale of equity	46,176	-
Investment in equity interest	115	(30,045)
	(266,127)	(411,685)
Financing activities		
Dividends to minority interest	(9,800)	(49,000)
Debt repayment	(265)	(1,475)
	(10,065)	(50,475)
Increase (decrease) in cash and cash equivalents	(267,507)	852,264
Cash and cash equivalents, beginning of year	4,161,300	3,309,036
Cash and cash equivalents, end of year	$ 3,893,793	$ 4,161,300
Cash and cash equivalents are comprised of		
Cash in banks	$ 508,340	$ 624,951
Less: restricted cash	(692,765)	(637,880)
Bankers' acceptances	4,078,218	4,174,229
	$ 3,893,793	$ 4,161,300
Supplemental Information		
Cash taxes paid	$ 125,356	$ -

See accompanying notes to consolidated financial statements.

1. Nature of operations

University Technologies International Inc. ("UTI" or the "Company") is a profit-oriented licensing, commercialization, and intellectual property management company wholly owned by the University of Calgary.

2. Basis of presentation

These financial statements are prepared on a consolidated basis and include the accounts of the Company, its wholly owned subsidiaries University Technologies International Venture Management Inc., University Technologies International Business Ventures Inc., CytoStore Inc. and its 51 % owned subsidiaries NeuroSpheres Ltd. and NeuroSpheres Holdings Ltd. ("NHL").

3. Significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

a) Revenue recognition

Licensing and client contract revenues are recognized when persuasive evidence of an arrangement exists, collection of the fee is probable and there are no future obligations for performance.

Royalty revenues are recognized when earned, based on product sales reported by licensees.

Product development revenues are deferred and recognized as related product development expenses are incurred. Product development revenues include overhead recoveries.

Client contract revenue is recorded as services provided.

Sales revenue is recorded when the product has been sold, delivery has occurred, and collection is reasonably assured.

b) Investments in significantly influenced companies

The Company accounts for its investments in AB Biopharma Inc., ACT Pharma Inc., nBoundary Software Inc. and SemBioSys Genetics Inc., entities over which the Company has significant influence, by the equity method. Under the equity method, the Company's investments are recorded initially at cost, increased by the net earnings of the investee entity, decreased by net losses of the investee entity, and decreased by dividends received from the investee entity and adjustments required to recognize other changes in the Company's equity interest. Net earnings (losses) are recorded based on each investee corporation's most recent fiscal year end.

c) Other long-term investments

Other long-term investments, including marketable equity securities, are accounted for at cost unless it is assessed that there has been an "other than temporary" decline in value.

d) Capital assets

Amortization is provided over the estimated useful lives of the capital assets on a straight-line basis as follows:

Office furniture and artwork	10 to 15 years
Office equipment and systems	3 years
Computer hardware	2 years
Leasehold improvements	Term of Lease

d) Capital assets (continued)

Management assesses the carrying amount of property and equipment for impairment annually and an impairment loss is recognized when the carrying amount exceeds the fair value. No impairment loss has been recorded to date.

e) Intangible assets

Computer software is amortized on a straight-line basis over its estimated useful life of 2 years.

Patents are recorded at cost and include acquisition and maintenance costs. Patent costs are amortized on a straight-line basis over 10 years. The carrying value of patents related to a project is limited to the estimated future net cash flows from the project. Patent costs in excess of estimated future net cash flows are written off.

f) Investment tax credits

Investment tax credits are recognized when there is reasonable assurance of their recovery using the cost reduction method. Investment tax credits are subject to the customary approvals by the pertinent tax authorities. Adjustments required, if any, are reflected in the year when such assessments are received.

g) Income taxes

Income tax assets and liabilities are recorded to recognize future income tax inflows and outflows arising from the settlement or recovery of assets and liabilities at carrying values. Income tax assets are also recognized for the benefits from tax losses and deductions that cannot be identified with particular assets or liabilities, provided those benefits are more likely than not to be realized. Future income tax assets and liabilities are determinable based on the tax laws and rates that are anticipated to apply in the period of realization. A valuation allowance is recorded to the extent there is uncertainty regarding realization of future tax assets.

h) Foreign currency translation

Transactions denominated in foreign currencies are translated using the temporal method. Under this method, monetary assets and liabilities are translated using the rate of exchange in effect at the balance sheet date, whereas non-monetary assets and liabilities are translated at the rate of exchange in effect on the date of the transaction. Revenues and expenses are translated at monthly average rates prevailing throughout the period, except for amortization, which is translated at exchange rates prevailing when the related assets were acquired. Exchange gains and losses resulting from translation are included in the statement of earnings and retained earnings.

i) Government assistance

Government assistance related to current expenses is recorded as a reduction of expenses when the related expenditures are incurred. Government assistance related to capital expenditures is reflected as a reduction in the cost of such assets. When cash is received in advance of the related expenditures, the grant is recorded as deferred revenue and the cash is separately disclosed as restricted cash.

j) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the balance sheet date, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates are made for recoverability of patent costs and investment valuations.

3. Significant accounting policies (continued)

k) Cash and cash equivalents

Cash and cash equivalents consists of cash on deposit and highly liquid short-term interest bearing securities which mature within three months or less of the date of purchase.

l) Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined on a first-in-first-out basis and consists of laid-down material costs.

4. Inventory

Inventory is comprised of:

	2004	2003
UTI – Dataloggers & Cables	$ 60,298	$ -
CytoStore – Reagents	32,818	-
	$ 93,116	$ -

5. Restricted cash and cash equivalents

Certain cash and cash equivalents balances amounting to $692,765 (2003 - $637,880) are not available to pay ordinary operating expenses of the Company.

$142,765 (2003 - $137,880) is held to pay for research and development expenses as provided by the terms of the agreements between the Company and firms sponsoring such activities.

$500,000 (2003 - $500,000) is held to pay for costs associated with technology, commercialization and new enterprise development as provided by the terms of a Government of Alberta grant received during the year.

$50,000 (2003 - Nil) is held to pay for company creation initiatives as provided by the terms of a Government of Canada grant received during the year.

6. Investments

	2004	2003
ACT Pharma Inc. – 49.99% of the issued and outstanding shares		
Equity investment at beginning of year	**169**	76
Share of income (loss)	**(115)**	93
	54	169
Other investments at cost		
Wi-Lan Inc.	**1**	1
Capital Energy Resources Inc.	**1**	-
Cell-Loc Location Technologies Inc.	**1,259**	1,259
SalPep Inc.	**1**	1
StemCells Inc.	**60,200**	94,600
Sonexis, Inc. (formerly eYaK, Inc.)	**63,000**	63,000
On Stream Technologies Inc. (1)	**1**	1
Onocolytics Biotech Inc.	**23,184**	23,184
Helix Biomedix Inc. (1)	**1**	1
Quorex Pharmaceuticals, Inc. (1)	**1**	1
	147,649	182,048
	$ **147,703**	$ 182,217

(1) Investments in Quorex Pharmaceuticals, Inc., Helix Biomedix Inc, and On Stream Technologies Inc. are related to non-monetary exchanges of shares in each company for licenses. The fair value of each transaction was nominal at the exchange date.

(a) Other equity investments

The Company also holds equity investments of 31.66% in SemBioSys Genetics Inc. common shares and 49.99% in AB BioPharma Inc. The current value of the equity in these entities is nil (2003 - nil).

The Company sold its equity investment in nBoundary Software Inc. during the year.

(b) Other investments at market

Shares held in public companies and their related market values at the year-end were as follows:

	2004		**2003**	
	Number of shares	Market value	Number of shares	Market value
Wi-Lan Inc.	**21,000**	$ **70,770**	21,000	$ 28,980
Cell-Loc Location Technologies Inc.	**11,000**	**2,255**	11,000	4,180
Capital Energy Resources	**5,500**	**4,290**	-	-
StemCells Inc. (U.S. $)	**35,000**	**58,800**	55,000	64,283
Onocolytics Biotech Inc.	**13,800**	**112,746**	13,800	23,184

The carrying value of StemCells Inc. and Oncolytics Biotech Inc. were written down in 2003 to recognize impairment in value that was considered to be other than temporary.

7. Capital assets

			2004
	Cost	Accumulated amortization	Net
Artwork	$ 3,239	$ 630	$ 2,609
Office equipment & systems	57,553	45,252	12,301
Office furniture	78,863	47,176	31,687
Computer hardware	86,871	84,357	2,514
Leasehold improvements	28,550	19,509	9,041
	$ 255,076	$ 196,924	$ 58,152

			2003
	Cost	Accumulated amortization	Net
Artwork	$ 3,239	$ 414	$ 2,825
Office equipment & systems	57,053	39,866	17,187
Office furniture	78,863	39,289	39,574
Computer hardware	98,726	87,465	11,261
Leasehold improvements	28,550	13,799	14,751
	$ 266,431	$ 180,833	$ 85,598

Capital asset costs have been reduced by the government assistance related to reimbursement for capital asset purchases of $55,346 (2003 - nil).

8. Intangible assets

			2004
	Cost	Accumulated amortization	Net
Computer software	$ 73,281	$ 54,064	$ 19,217
Patents	2,180,664	1,116,775	1,063,889
	$ 2,253,945	$ 1,170,839	$ 1,083,106

			2003
	Cost	Accumulated amortization	Net
Computer software	$ 65,971	$ 40,594	$ 25,377
Patents	2,001,250	955,038	1,046,212
	$ 2,067,221	$ 995,632	$ 1,071,589

During the year, patents with a net book value of $75,737 (2003 - $119,143) were written off.

Intangible assets have been reduced by government assistance related to reimbursement for computer software purchases of $4,053 (2003 - nil).

9. Income taxes

Income taxes consist of the following:

		2004		2003
Income taxes payable	$	-	$	262,696
Income tax refund receivable		(74,390)		-
Investment tax credit receivable		(60,044)		(49,398)
	$	(134,434)	$	213,298

The Company's income tax provision has been determined as follows:

		2004		2003
Income for the year	$	304,500	$	397,992
Combined basic Federal and Provincial Income tax expense		109,985		143,755
Small business deduction		(50,160)		(76,785)
Permanent non-deductible items		18,696		78,806
Reduction of deductible temporary differences not recognized		(27,555)		(5,081)
Prior year adjustments		29,489		6,182
Tax Expense	$	80,455	$	146,877

The significant components of the Company's future income tax assets are summarized as follows:

		2004		2003
Capital assets	$	484,379	$	607,863
Non-capital loss carryforwards		108,947		10,893
Future income tax asset		593,326		618,756
Less: Valuation Allowance		(593,326)		(618,756)
	$	-	$	-

10. Long-term debt

At March 31, 2004, the Company's long-term debt included $232,738 (2003 - $233,003) received by NeuroSpheres through the Alberta Heritage Foundation for Medical Research (AHFMR) in accordance with an agreement dated November 3, 1993. The debt is non-interest bearing and repayment is contingent upon NeuroSpheres' ability to generate gross sales of product and services. As sales are generated, the lesser of $100,000 and 5% of gross sales is to be paid to AHFMR on an annual basis until the principal debt of $232,738 (2003 - $233,003) plus an additional royalty of $250,000 is paid to AHFMR.

AHFMR has the option to convert the outstanding obligation including the debt of $232,738 plus the contingent royalty liability of $250,000 into an equity interest in NeuroSpheres equal to 2.5% of all issued and outstanding shares at the time the option is exercised. The option value was deemed to be nominal at the grant date.

11. Related party transactions

During the year, the Company and its subsidiaries were involved in the following transactions with the Company's parent, the University of Calgary:

	2004	2003
Client contract revenue	$ **75,000**	$ 75,000
Other revenue	**8,705**	11,102
Product development expense	**337,276**	364,753
Other services included in operating expense	**7,904**	9,193
Royalty payments	**50,637**	57,443
Reagent production costs	**41,176**	61,731
Capital asset expenditures	**744**	-
Project expenditures	**2,479**	20

At March 31, 2004, accounts payable included $26,762 (2003 - $129,424) due to the University of Calgary related to the above transactions. These transactions were entered into on the same terms and conditions as transactions with non-related parties and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

During the year, UTI recorded expense reimbursements from the Province of Alberta in the amount of $577,666 (2003 - $849,330). The Company also has deferred revenue of $500,000 (2003 - $500,000) relating to a grant received from the Province in fiscal year 2004.

12. Expense reimbursements

Expense reimbursements consist of:

	2004	2003
Government Assistance		
Government of Alberta	$ 577,666	$ 849,330
Government of Canada	333,146	50,000
	910,812	899,330
Other reimbursements	126,673	15,103
	$ 1,037,485	$ 914,433

13. Patronage payment

In April 2001, the Company entered into an agreement with its parent, the University of Calgary, which provides for patronage payments to the University. Under the agreement, all patronage payment obligations are settled through the issuance of Class "B" preferred shares. The Company has elected not to declare a patronage payment for 2004 (2003 - $306,250). Class "B" preferred shares for the 2003 patronage payment were issued on March 13, 2004.

14. Share capital

(a) Authorized

Unlimited number of common shares
Unlimited number of Class "B" voting preferred shares

(b) Outstanding

	Number of shares		Amount
Common shares			
Balance – March 31, 2004 and 2003	1	$	1
Class "B" voting preferred shares			
Balance – March 31, 2003	363,909		363,909
Issued for 2003 patronage payment	306,250		306,250
Balance – March 31, 2004	670,159	$	670,159

Class "B" voting preferred shares are redeemable at the Company's option and are entitled to a non-cumulative dividend, when and if declared by the Company, of up to 15% per annum.

15. Contingencies and commitments

The Company is committed to the following minimum operating lease payments over the next five years under the terms of premises leases:

		2005		2006
Year ending March 31	$	97,877	$	79,408

The company received $200,000 in 1995 from Alberta Economic Development and Tourism for the research and development of certain projects. Repayment of the $200,000 is contingent upon the projects generating royalty income and is calculated as 5% of royalties received on the projects during any year. Payments commenced in 1999 and ended in 2004 with full repayment of the grant.

16. Changes in non-cash working capital

		2004		2003
Accounts receivable	$	129,636	$	20,896
Income tax refund receivable		(74,390)		-
Investment tax credit receivable		(10,646)		(49,398)
Prepaid expense		(600)		(7,386)
Inventory		(93,116)		-
Restricted cash		(54,885)		403,574
Accounts payable and accrued liabilities		(220,118)		122,707
Income tax payable		(262,696)		150,123
Deferred revenue		54,885		(403,574)
	$	(531,930)	$	236,942

17. Budget

The budget was approved by the Board of Directors on March 26, 2003.

18. Financial instruments

(a) Fair value

Financial instruments are comprised of cash and cash equivalents, accounts receivable, income tax refund receivable, investment tax credits receivable, restricted cash and cash equivalents, investments, accounts payable and accrued liabilities, income taxes payable, and long-term debt.

The fair value of monetary assets and liabilities, except long-term debt, is not considered to be materially different from their stated values, due to the relatively short period to maturity of all significant balances. The long-term debt balance relating to AHFMR does not currently have fixed repayment terms, therefore it is not possible to determine fair value of this financial instrument at March 31, 2004. Financial derivative instruments are not used by the Company.

(b) Credit and foreign currency risk

The Company is not exposed to significant credit risk as it sells mainly to a diverse group of established distributors and users. Foreign currency risk is not considered to be significant as the majority of the Company's sales are in Canadian dollars.

(c) Interest rate risk

The Company is exposed to interest rate risk in relation to interest income earned on cash and cash equivalents. At March 31, 2004, the increase or decrease in net earnings for each 1% change in interest rates earned on cash and cash equivalents amounts to approximately $39,000 per annum (year ended March 31, 2003 – $42,000).

University Technologies International Inc.

Schedule 1

Consolidated Schedule of Licensing and Royalty Revenue

For the year ended March 31, 2004

	2004		2003
	Budget	**Actual**	Actual
Gross revenue from licensing and royalty agreements	$ 3,297,550	$ **3,294,481**	$ 4,091,173
Distribution to other parties under licensing and royalty agreements			
Inventors	1,805,221	**1,700,984**	2,106,883
Client institutions	26,600	**53,782**	(58,834)
	1,831,821	**1,754,766**	2,048,049
Net licensing and royalty revenue	$ 1,465,729	$ **1,539,715**	$ 2,043,124

University Technologies International Inc.

Schedule 2

Consolidated Schedule of Product Development Revenue
For the year ended March 31, 2004

	2004 Budget	2004 **Actual**	2003 Actual
Revenue earned under product development agreements	$ 398,140	$ **365,201**	$ 417,282
Product development expense	349,471	**339,013**	405,835
Investment tax credits	-	**(136,728)**	(43,066)
	349,471	**202,285**	362,769
Net product development revenue	$ 48,669	$ **162,916**	$ 54,513

University Technologies International Inc.

Schedule 3

Consolidated Schedule of Sales Revenue
For the year ended March 31, 2004

	2004		2003
	Budget	**Actual**	Actual
Sales revenue	$ -	$ **19,783**	$ -
Cost of sales	-	**3,687**	-
Production expense	-	**5,512**	
	-	**9,199**	-
Net sales revenue	$ -	$ **10,584**	$ -

University Technologies International Inc.

Schedule 4

Consolidated Schedule of Personnel Costs
For the year ended March 31, 2004

	2004					2003	
	Number of individuals	Salary (1)	Bonus	Benefits and allowances (2)	Total	Number of individuals	Total
		$	$	$	$		$
Chairman	1	36,000	-	-	36,000	1	36,000
Other directors	13	-	-	-	-	11	-
Senior employees:							
President	1	101,369	70,813	7,801	179,983	1	281,891
Vice President (3)	1	138,137	76,000	10,348	224,485	1	185,237

(1) Salary includes regular base pay

(2) Benefits and retiring allowances include the Company's share of all employee benefits and contributions or payments made on behalf of employees including Canada Pension Plan, Employment Insurance, health care, dental coverage, group life insurance and pension.

(3) The President left his employment with the Company mid-way through the year. In the absence of a President, the Vice President filled in as interim President. His salary and bonus reflect his service as a President during this term.

UNIVERSITY OF LETHBRIDGE
Financial Statements

For the year ended March 31, 2004

Auditor's Report

Financial Statements:

- Statement of Financial Position
- Statement of Operations
- Statement of Cash Flows
- Statement of Changes in Net Assets
- Notes to Financial Statements

AUDITOR
GENERAL
Alberta

Auditor's Report

To the University of Lethbridge

I have audited the statement of financial position of the University of Lethbridge as at March 31, 2004 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the University's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
May 18, 2004

The University of Lethbridge

STATEMENT OF FINANCIAL POSITION

As at March 31
(thousands of dollars)

	2004	2003 (As restated - Note 22)
ASSETS		
CURRENT ASSETS		
Cash	$ 12,553	$ 3,835
Accounts receivable	3,990	3,565
Inventories	541	515
Prepaid expenses	574	370
	17,658	8,285
DEPOSIT ON CAPITAL ASSET	-	41
INVESTMENTS (Notes 3, 4)	47,815	48,819
CAPITAL ASSETS (Note 5)	140,412	138,598
COLLECTION (Note 6)	32,997	32,905
	$ 238,882	$ 228,648
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 4,164	$ 4,136
Employee benefit liabilities (Note 7)	4,428	4,691
Deferred revenue	664	572
Deferred tuition fees	3,031	2,634
Deferred contributions (Note 8)	10,726	10,058
Current portion of long term debt	109	-
	23,122	22,091
LONG TERM LIABILITIES		
Accounts payable - construction projects	319	528
Long term debt (Note 9)	3,891	-
Employee benefit liabilities (Note 7)	4,644	4,008
Deferred capital contributions (Note 10)	1,282	1,038
	10,136	5,574
UNAMORTIZED DEFERRED CAPITAL CONTRIBUTIONS (Note 11)	88,358	92,175
NET ASSETS		
Investment in capital assets and collection	81,050	79,328
Endowments (Note 12)	11,227	10,762
Internally restricted net assets (Note 13)	5,399	5,260
Unrestricted net assets	19,590	13,458
	117,266	108,808
Commitments and Contingencies (Note 21)		
	$ 238,882	$ 228,648

The accompanying notes are part of these financial statements.

The University of Lethbridge

STATEMENT OF OPERATIONS

For the Year Ended March 31
(thousands of dollars)

	2004	2003 (As restated - Note 22)
REVENUE		
Grants	$ 62,659	$ 56,931
Tuition and related fees	30,183	27,143
Sales of services and products	9,844	9,289
Miscellaneous	2,545	2,068
Investment income (Note 14)	1,940	2,609
Gifts and donations	307	369
Amortization of deferred capital contributions (Note 11)	6,262	6,094
	113,740	104,503
EXPENSE		
Salaries	58,968	52,435
Employee benefits	9,694	8,956
Scholarships, fellowships and bursaries	2,586	2,357
Supplies and services	7,697	7,164
Cost of goods sold	3,041	2,862
Travel	2,801	2,655
Utilities	3,022	2,771
External contracted services	2,199	2,407
Repairs and maintenance	2,242	2,453
Professional fees	600	577
Interest on long term liabilities	687	1,419
Insurance	298	220
Property taxes	199	161
Loss on disposal of capital assets	1	199
Unrealized loss on write-down of investments	85	2,755
Amortization of capital assets	11,557	10,922
	105,677	100,313
EXCESS OF REVENUE OVER EXPENSE	$ 8,063	$ 4,190

The University of Lethbridge

STATEMENT OF CASH FLOWS

For the Year Ended March 31
(thousands of dollars)

	2004	2003 (As restated - Note 22)
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Excess of revenue over expense	$ 8,063	$ 4,190
Non-cash transactions		
Amortization of deferred capital contributions	(6,262)	(6,094)
Amortization of capital assets	11,557	10,922
Loss on disposal of capital assets	1	199
Unrealized loss on write-down of investments	85	2,755
Increase (decrease) in long-term employee benefit liabilities	636	(88)
	14,080	11,884
Increase (decrease) in non-cash working capital (Note 17)	267	(785)
	14,347	11,099
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES:		
Deposit on capital asset	41	(41)
Sale of investments (net)	919	5,101
Capital asset additions		
Internally funded	(6,996)	(7,491)
Externally funded	(2,445)	(4,923)
Financed	(4,000)	-
Collection additions	-	(2)
Proceeds on disposal of capital assets	69	31
	(12,412)	(7,325)
Increase (decrease) in construction accounts payable	(209)	377
	(12,621)	(6,948)
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES:		
Capital contributions received	2,689	5,143
Endowment contributions received	123	144
Capitalized investment earnings	180	274
Long term debt proceeds	4,000	-
Long term debt repayments	-	(9,910)
	6,992	(4,349)
INCREASE (DECREASE) IN CASH	8,718	(198)
CASH, beginning of year	3,835	4,033
CASH, end of year	$ 12,553	$ 3,835

The University of Lethbridge

STATEMENT OF CHANGES IN NET ASSETS

For the Year Ended March 31

(thousands of dollars)

	2004					2003
	Investment in Capital Assets	Endowments	Internally Restricted	Unrestricted	TOTAL	TOTAL
BALANCE, beginning of year						
As previously reported	$ 79,328	10,762	5,260	12,854	108,204	$ 103,193
Adjustment to prior period (Note 22)				604	604	528
As restated	79,328	10,762	5,260	13,458	108,808	103,721
Excess of revenue over expense	-	-	-	8,063	8,063	4,190
Direct increases (decreases) to net assets:						
Non-amortizable collection donations (Note 6)	92	-	-	-	92	479
Endowment contributions	-	123	-	-	123	144
Capitalized investment earnings	-	180	-	-	180	274
Transfers:						
Internally funded:						
Capital asset additions	6,996	-	-	(6,996)	-	-
Net book value of capital asset disposals	(67)	-	-	67	-	-
Amortization	(5,299)	-	-	5,299	-	-
Capitalized investment earnings	-	22	-	(22)	-	-
Endowments	-	140	-	(140)	-	-
Allocation to (from) internally restricted net assets (Note 13)	-	-	139	(139)	-	-
BALANCE, end of year	$ 81,050	11,227	5,399	19,590	117,266	$ 108,808

Note 1 **Authority and Purpose**

The University of Lethbridge (the "University") operates under the authority of the Post-Secondary Learning Act, Statutes of Alberta 2003, chapter P-19.5. The University is dedicated to quality undergraduate and graduate studies in the tradition of liberal education, research and public service. The University is a registered charity and is exempt from payment of income tax.

Note 2 **Summary of Significant Accounting Policies and Reporting Practices**

(a) General

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The measurement of certain assets and liabilities is contingent upon future events, therefore, the preparation of these financial statements requires the use of estimates, which may vary from actual results.

(b) Revenue Recognition

Operating grants are recognized when receivable. Revenues received for the provision by the University of goods and services are recognized in the period in which the goods are provided or the services rendered.

Deferred Contributions - Externally restricted non-capital and non-endowment contributions are deferred and are recognized as revenue in the period in which the related expenses are incurred.

Deferred Capital Contributions and Unamortized Deferred Capital Contributions - Contributions externally restricted for the acquisition of capital assets having limited lives are deferred and recorded as deferred capital contributions in the period in which they are received. Deferred capital contributions are transferred to unamortized deferred capital contributions when expended and are amortized to revenue over the useful lives of the related assets.

Endowments - Endowment contributions are recognized as direct increases in net assets in the period in which they are received.

(c) Inventories

Inventories held for resale are valued at the lower of cost and net realizable value. Inventories held for consumption are valued at the lower of cost or replacement cost.

(d) Investments

Investments are recorded at cost or amortized cost where applicable. Amortization of premiums or discounts is calculated on a straight-line basis from acquisition date to maturity. Capital gains or losses are recognized in the year of disposal or when there is other than a temporary decline in the value of the investment.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(e) Capital Assets

Capital assets purchased by the University are recorded at cost. Donated assets are recorded at fair values when a fair value is reasonably determinable. Where a fair value is not reasonably determinable the assets are recorded at nominal value.

Capital assets, except construction projects which are amortized upon completion, are amortized on a straight-line basis over the assets' estimated useful lives. The estimated useful lives are as follows:

Land improvements	10-25 years	Computer equipment	3-5 years
Buildings - Exterior	40 years	Electrical equipment	20 years
Buildings - Interior	20 years	Software	3-5 years
Leasehold improvements	15 years	Vehicles	6 years
Furnishings and equipment	5-10 years	Learning resources	10 years

(f) Collection

Collection assets purchased by the University are recorded at cost. Donated collection assets are recorded at fair values.

The collection consists of works of art which are held for educational and public exhibition purposes.

(g) Employee Future Benefits

The University participates in the Universities Academic Pension Plan and the Public Service Pension Plan. These pension plans are multi-employer defined benefit pension plans that provide pensions for the University's participating employees, based on years of service and earnings. Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates that are expected to provide for benefits payable under the Universities Academic Pension Plan and the Public Service Pension Plan. The University's portion of the pension plans' deficit or surplus is not recorded by the University.

The University has a number of defined benefit plans providing maternity and/or parental leave, long-term disability, early retirement incentives and administrative leaves. The cost of benefits earned by employees in the maternity/parental and administrative leave plans is determined using the projected benefit method prorated on service and management's best estimate of salary escalation. Net experience gains (losses) are recognized immediately. The cost of benefits earned by employees receiving long-term disability and early retirement benefits is determined using the accumulated benefit method, a market interest rate and management's best estimate of expected health care and pension costs and the period of employee disability.

(h) Pledges Receivable

Pledges receivable are not recorded as assets in these financial statements.

(i) Contributed Services

Volunteers, as well as members of the staff of the University, contribute an indeterminable number of hours per year to assist the institution in carrying out its mission of post secondary and graduate education, research and public service. Such contributed services are not recognized in the financial statements.

(j) Financial Instruments

The carrying values of financial assets and financial liabilities approximate fair value unless otherwise disclosed.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(k) Credit, Interest Rate and Market Risk

The University's accounts receivable are due from a diverse group of customers and are subject to normal credit risks.

The interest rate risk is the risk to the University's earnings that arises from the fluctuations in interest rates and the degree of volatility of these rates.

The market risk is the risk to the University's earnings that arises from the fluctuations and degree of volatility in the market value of its long term investments.

Note 3 Investments

	2004				2003			
	Carrying Value	Market Value	Realized Return	Market Return	Carrying Value	Market Value	Realized Return	Market Return
Cash and short term deposits	$ 4,488	$ 4,490	1.76%	0.28%	$ 6,491	$ 6,491	0.76%	0.90%
Bonds and debentures	18,737	20,212	6.05%	11.04%	18,861	19,425	6.41%	10.40%
Stocks	24,277	29,120	2.27%	24.10%	23,248	23,366	6.25%	-23.56%
Other investments	313	313			219	219		
	$ 47,815	$ 54,135			$ 48,819	$ 49,501		

Realized return includes interest and dividend income and gains and losses incurred on disposal of investments. Market return includes both realized return and unrealized gains and losses on investments due to market fluctuations.

Foreign exchange losses of $299 were realized during the year (2003 - $45 foreign exchange gain realized). As of March 31 net unrealized exchange losses totalled $1,920 (2003 - $608).

Bonds and debentures consists of the following:

	2004			2003		
	Carrying Value	Market Value	Effective Yield	Carrying Value	Market Value	Effective Yield
Short term (three years or less to maturity)	$ 1,006	$ 1,043	1.99%	$ 151	$ 154	3.30%
Medium term (four to ten years to maturity)	12,464	13,452	5.58%	13,221	13,680	5.61%
Long term (greater than ten years to maturity)	5,267	5,717	5.81%	5,489	5,611	5.86%
	$ 18,737	$ 20,212	5.45%	$ 18,861	$ 19,425	5.66%

The Board of Governors, through its Finance Committee, monitors the performance of the investment manager as well as compliance to the Investment Management Policy which includes benchmarks for performance and standards for quality, type and diversification of investments. The prime directive of the Committee is to protect the University's assets, provide a stream of income and maintain reasonable costs related to managing the investments. An external consultant is appointed by the Committee to measure and report, on a quarterly basis, the investment portfolio's performance and the investment manager's compliance to the Policy.

Investments are managed by an investment manager. The investment portfolio consists of a balanced fund.

The balanced fund policy mix standard is as follows:

Permissible assets	Policy Standard	Allowable Ranges
Short term/cash	5%	0% - 40%
Bonds	35%	25% - 70%
Canadian equities	20%	10% - 40%
U.S. equities	25%	10% - 50%
Global equities	15%	0% - 30%
	100%	

Note 3 **Investments (continued)**

Bond investments must have a rating of BBB-plus or better and the short term portfolio must be rated at least R-1, mid (or equivalent) as per the Dominion Bond Rating Service

Short term investments are held on average for less than one year and bonds are held on average less than four years. Bonds in the portfolio have maturity dates between two and twenty-six years, with an average maturity date of six years

Note 4 **Interest in Joint Venture**

The University has a one third joint venture interest in the Campus Alberta Graduate Program in Counselling. Three Alberta universities formed the joint venture to develop and deliver a Collaborative Alberta Graduate Counselling Program

The University's equity in the accumulated earnings of the joint venture at March 31, 2004 is $217 (2003 - $123) and is included in Other Investments (Note 3)

At March 31, 2004 the University's share of the joint venture's assets and liabilities are

	2004	2003
Current assets [1]	$ 411	$ 282
Capital assets	8	10
	$ 419	$ 292
Current liabilities	$ 194	$ 159
Deferred capital contributions	7	10
Investment in capital assets	1	-
Joint venture interest	217	123
	$ 419	$ 292

[1] included in current assets is a receivable of $160 (2003 - $137) from the University of Lethbridge for operating funds that are being administered on behalf of the joint venture

The University's share of joint venture earnings for the year ending March 31, 2004 is $134 which is one-third of the net of total revenues of $1,545 less total expenses of $1,143

Note 5 Capital Assets

	2004			2003
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 638	$ -	$ 638	$ 638
Buildings and land improvements	175,027	55,855	119,172	116,293
Construction projects	200	-	200	1,011
Furnishings and equipment	47,257	33,280	13,977	14,567
Learning resources	21,785	15,360	6,425	6,089
	$ 244,907	$ 104,495	$ 140,412	$ 138,598

Construction projects include planning costs for the Regional Health and Wellness Centre, Centre for Leadership and Innovation, Environment and Water Resource building and Art Gallery building.

Capital asset additions during the year included $24 in donations in kind for learning resources (2003: $73).

Note 6 Collection

	2004	2003
Balance, beginning of year	$ 32,905	$ 32,424
Donations	92	479
Acquisitions	-	2
Balance, end of year	$ 32,997	$ 32,905

The art collection contains approximately 14,000 objects.

Note 7 Employee Benefit Liabilities

	2004	2003
Vacation and overtime pay	$ 3,304	$ 3,148
Maternity and parental leaves	144	116
Other payroll liabilities	198	124
Early retirement benefit plans	1,257	1,658
Senior administrative leaves	3,428	3,042
Supplementary benefit plan	626	510
Long-term disability benefits	115	101
	9,072	8,699
Less current portion	(4,428)	(4,691)
	$ 4,644	$ 4,008

The University's defined benefit plans provide post-employment benefits to most employees. This includes pension plans, early retirement benefit plans and long-term disability benefit plans, as well as administrative leave plans for certain senior administrators. The University's defined benefit plans, other than the pension plans, are unfunded. The supplementary benefit plan is a defined contribution plan. Information about these plans is as follows:

Note 7 **Employee Benefit Liabilities (continued)**

	2004				2003			
	Early Retirement Plan	Senior Administrative Leaves	Supplementary Benefit Plan	Long-term Disability	Early Retirement Plan	Senior Administrative Leaves	Supplementary Benefit Plan	Long-term Disability
Accrued benefit obligation								
Balance, beginning of year	$ 1,658	$ 3,042	$ 510	$ 101	$ 2,300	$ 2,975	$ 355	$ 100
Current service cost	-	897	182	56	-	585	165	31
Benefits paid	(555)	(794)	(61)	(42)	(748)	(727)	(76)	(24)
Interest cost	154	283	(5)	-	106	209	66	(6)
Balance, end of year	$ 1,257	$ 3,428	$ 626	$ 115	$ 1,658	$ 3,042	$ 510	$ 101

Accrued early retirement benefits, senior administrative leaves, the supplementary benefit plan and long-term disability benefits are carried at their present value. The significant assumptions used to measure these obligations are as follows:

	Senior Administrative Leaves	Supplementary Benefit Plan	Long-term Disability
Rate of compensation increase	8.25%	n/a	n/a
Rate of benefits increase	4.50%	5.00%	4.00%
Pension contributions increase			4.00%

The discount rates used in accruing the benefits were market interest rates in effect at March 31 on high quality debt instruments with cash flows that match the timing and amount of expected benefit payments.

Senior administrative leaves are accrued based on years of service to the University as a senior administrator. These leaves are normally taken at the end of the administrative service.

Payments in the next five years under the defined benefit and defined contribution plans are approximately as follows: 2005 - $783, 2006 - $761, 2007 - $528, 2008 - $381, 2009 - $362.

Note 8 **Deferred Contributions**

Deferred contributions represent contributions received for restricted purposes that remain unspent at March 31. Changes in the deferred contributions balance are as follows:

	2004	2003
Balance, beginning of year	$ 10,058	$ 12,006
Contributions received	10,971	10,747
Transfer to		
Revenue	(8,253)	(7,906)
Endowments	-	(19)
Deferred Capital Contributions (Note 10)	(2,050)	(4,770)
Balance, end of year	$ 10,726	$ 10,058

Note 8 **Deferred Contributions (continued)**

The deferred contributions balance consists of

	2004	2003
Restricted Operating	$ 3,716	$ 4,070
Sponsored Research	4,304	3,554
Special Purpose	698	526
Scholarships, Bursaries and Other Trust Funds	2,008	1,908
	$ 10,726	$ 10,058

Note 9 **Long Term Debt**

	Rate of Interest	Original Advance	Amount Outstanding 2004	Amount Outstanding 2003
Alberta Capital Financing Authority debenture for student residences, due April 15, 2023	6.00%	4,000	$ 4,000	$ -
Current portion			(109)	$ -
			$ 3,891	$ -

The debenture is secured by cash flows generated from the new residences and the Aperture Park and University Hall residences

Interest on the debenture of $231 was charged to expense in fiscal 2004

Principal payments on the debenture over the next five fiscal years are as follows 2005 - $109, 2006 - $115, 2007 - $122, 2008 - $130, 2009 - $137

Note 10 **Deferred Capital Contributions**

Deferred capital contributions represent capital funds received from external sources for specific purposes that remain unspent at March 31. Changes in the deferred capital contributions balance are as follows

	2004	2003
Balance, beginning of year	$ 1,038	$ 819
Contributions received	682	381
Transfers from (to)		
Revenue	(43)	(9)
Deferred Contributions (Note 8)	2,050	4,770
Unamortized Deferred Capital Contributions (Note 11)	(2,445)	(4,923)
Balance, end of year	$ 1,282	$ 1,038

The deferred capital contributions balance includes donations received for capital projects including the Regional Health and Wellness Centre, the Centre for Leadership and Innovation and the Art Gallery Building

Note 11 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the externally funded portion of capital assets that will be recognized as revenue in future periods. Changes in unamortized deferred capital contributions are as follows

	2004	2003
Balance, beginning of year	$ 92,175	$ 93,346
Transfer from (to)		
Deferred Capital Contributions (Note 10)	2,445	4,923
Revenue		
Amortization of deferred capital contributions	(6,258)	(6,009)
Capital asset disposals (net)	(4)	(85)
Balance, end of year	$ 88,358	$ 92,175

Note 12 Endowments

	2004			2003		
	Externally Restricted	Internally Restricted	Total	Externally Restricted	Internally Restricted	Total
Contributions	$ 8,258	$ 1,162	$ 9,420	$ 8,085	$ 1,072	$ 9,157
Capitalized investment income	1,693	114	1,807	1,514	91	1,605
	$ 9,951	$ 1,276	$ 11,227	$ 9,599	$ 1,163	$ 10,762

Endowments consist of restricted donations to the University, the principal of which is required to be maintained intact in perpetuity (externally restricted), and internal allocations by the Board of Governors (internally restricted). The investment income generated from endowments must be used in accordance with the various purposes established by the donors or the Board of Governors. The economic value of endowments is protected through allocations of investment income earned to reflect changes in purchasing power of the endowment principal. Investment income earned in excess of this amount is available for spending. Under Section 76(2) of the Post-Secondary Learning Act, the University has the authority to alter the terms and conditions of an endowment to enable income earned by the endowment to be withheld from distribution to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment.

Note 13 Internally Restricted Net Assets

Internally restricted net assets represent amounts set aside by the Board of Governors for specific needs such as one-time expenditures for increasing efficiency, reducing costs or providing for contingencies

	2004	2003
OPERATING		
Staff training and development	$ 84	$ 175
Academic development	43	20
Campus planning studies	160	160
International affairs	6	6
Utilities contingency - rate increases	50	50
Program development	200	146
	543	557
CAPITAL		
Capital replacement - Ancillary Services	1,449	2,168
Capital replacement - Sports & Recreation Services	285	-
Housing Services - residences	1,044	895
Capital equipment	983	725
Buildings and plant	276	193
Site and utilities	48	37
Utility conservation	258	170
Self insurance	184	178
Parking services	225	273
Service vehicles and equipment	104	64
	4,856	4,703
	$ 5,399	$ 5,260

Note 14 Investment Income

	2004	2003
Total investment income for the year	$ 2,163	$ 2,944
Transfers to		
Endowments - externally restricted	(180)	(274)
Deferred contributions	(43)	(61)
Total investment income recognized as revenue	$ 1,940	$ 2,609

Note 15 **Salaries and Employee Benefits**

A Treasury Board Directive under the Financial Administration Act of the Province of Alberta requires the disclosure of certain salary and employee benefit information

	2004			2003
	Salary [1]	Benefits and Allowances [2]	Total	Total
Board of Governors [3]	$ -	$ -	$ -	$ -
President [4]	217	83	300	270
Executives				
Vice-President (Academic) [4]	204	64	268	238
Vice-President (Finance & Administration)	165	35	200	181
Dean of Management [5]	164	27	191	238
Dean of Graduate Studies	160	29	189	172
Accrual of senior administrative leaves [6]				
President		89	89	58
Vice-President (Academic)		136	136	77
Vice-President (Finance & Administration)		55	55	43
Dean of Management		58	58	33
Dean of Graduate Studies		136	136	65

[1] Salary includes regular base pay, administrative stipends and any other direct remuneration

[2] Benefits and allowances include employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short and long term disability plans, vision care plan, supplementary benefit plan and professional supplement allowance

[3] Members of the Board of Governors receive no remuneration for participation on the Board

[4] Benefits and allowances figure includes housing allowance

[5] Two individuals held the position in the current year and in the prior year

[6] Leaves are accrued for senior administrators at a rate of one month for every five months served. During the leave, all salaries and benefits excluding any housing allowances are paid. Cash payments in lieu of administrative leave are not permitted, nor is it possible under Board policy to work for another institution or organization while on leave. Normally administrative leave is taken immediately after leaving office

The accrual is a function of the cumulative number of months of leave earned to March 31 and current salary and benefit rates. The nominal value is projected to the date the leave is expected to be taken, and discounted back to the present using a market interest rate

Note 16 Pension Costs

The University participates in the Universities Academic Pension Plan and the Public Service Pension Plan. These pension plans are multi-employer defined benefit pension plans that provide pensions for the University's participating employees, based on years of service and earnings. The pension expense recorded in these financial statements is equivalent to the University's annual contributions payable of $3,442 for the year ended March 31, 2004 (2003 - $2,850) including UAPP contributions of $2,757 (2003 - $2,300) and PSPP contributions of $685 (2003 - $550).

At December 31, 2003, the Universities Academic Pension Plan reported an actuarial deficiency of $538,352 (2002 - restated $409,672) consisting of a pre-1992 deficiency ($455,421) and a post-1991 deficiency ($82,931). An actuarial valuation of the UAPP was carried out as at December 31, 2002 and was then extrapolated to December 31, 2003. The next actuarial valuation of the UAPP is required to be completed by December 31, 2005. The unfunded liability for service prior to January 1, 1992 is being financed by additional contributions of 1.25% (2002 - 1.25%) of salaries by the Province of Alberta with employees and employers equally sharing the balance of the contributions of 1.75% (2002 - 0.14%) of salaries required to eliminate the unfunded liability on or before December 31, 2043. The actuarial valuation shows that the present value at December 31, 2002 of the Province of Alberta's obligation for the future additional contributions was $164,200. Effective January 1, 2004, the unfunded liability for service after December 31, 1991 is being financed by special payments of 1.26% of salaries shared equally between employees and employers over 15 years from the date of valuation until December 31, 2017.

At December 31, 2003, the Public Service Pension Plan reported an actuarial deficiency of $596,213 (2002 - $175,528). An actuarial valuation of the Public Service Pension Plan was performed as of December 31, 2002 and was then extrapolated to December 31, 2003. Effective September 1, 2003 employer and employee contribution rates both increased by 1.5% of salary on earnings up to the Year's Maximum Pensionable Earnings (YMPE) under the Canada Pension Plan and 2.26% of salary on earnings over the YMPE.

Pension expense for fiscal 2005 is expected to total $4,031.

Note 17 Change in Non-Cash Working Capital

	2004	2003
Accounts receivable	$ (425)	$ 1,046
Inventories	(26)	161
Prepaid expenses	(204)	(77)
Accounts payable	28	(220)
Employee benefit liabilities	(263)	41
Deferred revenue	92	(110)
Deferred tuition fees	397	323
Deferred contributions	668	(1,949)
Increase (decrease) in non-cash working capital	$ 267	$ (785)

Note 18 Budget

The University is required to submit a budget, approved by the Board of Governors of the University, to the Minister of Alberta Learning for approval. The 2003/04 budget was approved by the Board on March 20, 2003.

Unrestricted Funds Budget

	2004								2003	
	General Operating		Ancillary Services		Access & Other		Total			
	Original Budget	Total Actual	Original Budget	Total Actual	Original Budget	Total Actual	Original Budget	Total Actual	Original Budget	Total Actual
REVENUE										
Grants	$ 42,974	$ 48,542	$ -	$ -	$ 7,476	$ 6,305	$ 50,450	$ 54,847	$ 47,420	$ 49,603
Tuition and related fees	24,019	27,886	858	-	3,278	2,297	28,155	30,183	24,753	27,143
Sales of services and products	2,760	2,197	6,659	7,391	-	256	9,419	9,844	11,151	9,331
Miscellaneous	371	1,936	43	-	97	363	511	2,299	1,970	1,950
Investment income	2,000	1,714	48	46	-	22	2,048	1,782	1,682	2,295
Gifts and donations	-	64	-	-	-	163	-	227	-	214
Amortization of deferred capital contributions	6,668	6,262	-	-	-	-	6,668	6,262	4,898	6,094
	78,792	88,601	7,608	7,437	10,851	9,406	97,251	105,444	91,874	96,630
EXPENSE										
Salaries and benefits	51,189	58,591	2,075	1,828	7,156	4,364	60,420	64,783	59,343	58,210
Scholarships, fellowships and bursaries	553	1,146	-	-	-	179	553	1,325	538	1,283
Supplies and services	4,689	4,158	442	903	2,566	1,181	7,697	6,242	9,838	5,876
Cost of goods sold	185	177	2,849	2,864	-		3,034	3,041	2,778	2,862
Travel	1,071	1,649	42	26	138	528	1,251	2,203	1,309	2,118
Utilities	2,853	2,380	594	541	370	100	3,817	3,021	3,165	2,770
External contracted services	896	1,534	808	270	-	241	1,704	2,045	1,393	2,018
Repairs and maintenance	2,654	1,066	-	127	-	147	2,654	1,340	-	1,109
Professional fees	327	439	-	103	-	8	327	550	334	522
Interest on long term liabilities	528	604	125	83	-		653	687	546	1,419
Insurance	232	266	9	9	-	22	241	297	547	219
Property taxes	-	3	181	186	-	9	181	198	153	158
Loss on disposal of capital assets	-	7	-	-	-	-	-	7	-	199
Unrealized loss on write-down of investments	-	85	-	-	-	-	-	85	-	2,755
Amortization of capital assets	8,275	11,385	133	172	-	-	8,408	11,557	9,686	10,922
Provisions	5,340	-	-	-	621	-	5,961	-	1,897	-
	78,792	83,490	7,258	7,112	10,851	6,779	96,901	97,381	91,527	92,440
EXCESS OF REVENUE OVER EXPENSE	$ -	$ 5,111	$ 350	$ 325	$ -	$ 2,627	$ 350	$ 8,063	$ 347	$ 4,190

The General Operating and Access budgets include general departmental provisions which are subject to reallocation by departments throughout the year. These contingency budgets are used primarily for salaries, benefits and capital purchases. Actual expenses are recorded in the appropriate expense categories and are not charged to the provisions budget.

Note 18 **Budget (continued)**

Restricted Funds Budget

	2004		2003	
	Original Budget	Total Actual	Original Budget	Total Actual
REVENUE				
Grants	$ 4,239	$ 7,812	$ 2,063	$ 7,328
Tuition and related fees	-	-	-	-
Sales of services and products	-	-	-	-
Miscellaneous	250	246	1,827	118
Investment income	300	158	800	314
Gifts and donations	1,000	80	869	155
Amortization of deferred capital contributions	-	-	-	-
	5,789	8,296	5,559	7,915
EXPENSE				
Salaries and benefits	3,100	3,879	2,568	3,181
Scholarships, fellowships and bursaries	710	1,261	531	1,074
Supplies and services	1,100	1,455	1,231	1,330
Cost of goods sold	-	-	-	-
Travel	640	598	656	537
Utilities	4	1	3	1
External contracted services	235	154	531	389
Repairs and maintenance	-	902	-	1,344
Professional fees	-	50	37	55
Interest on long term liabilities	-	-	-	-
Insurance	-	1	2	1
Property taxes	-	1	-	3
Loss on disposal of capital assts	-	(6)	-	-
Unrealized loss on write-down of investments	-	-	-	-
Amortization of capital assets	-	-	-	-
Provisions	-	-	-	-
	5,789	8,296	5,559	7,915
EXCESS OF REVENUE OVER EXPENSE	$ -	$ -	$ -	$ -

Total Unrestricted and Restricted Fund Budgets

	2004		2003	
	Original Budget	Total Actual	Original Budget	Total Actual
REVENUE				
Grants	$ 54,689	$ 62,659	$ 49,483	$ 56,931
Tuition and related fees	28,155	30,183	24,753	27,143
Sales of services and products	9,419	9,844	11,151	9,331
Miscellaneous	761	2,545	3,797	2,068
Investment income	2,348	1,940	2,482	2,609
Gifts and donations	1,000	307	869	369
Amortization of deferred capital contributions	6,668	6,262	4,898	6,094
	103,040	113,740	97,433	104,545
EXPENSE				
Salaries and benefits	63,520	68,662	61,911	61,391
Scholarships, fellowships and bursaries	1,263	2,586	1,069	2,357
Supplies and services	8,797	7,697	11,069	7,206
Cost of goods sold	3,034	3,041	2,778	2,862
Travel	1,891	2,801	1,965	2,655
Utilities	3,821	3,022	3,168	2,771
External contracted services	1,939	2,199	1,924	2,407
Repairs and maintenance	2,654	2,242	-	2,453
Professional fees	327	600	371	577
Interest on long term liabilities	653	687	546	1,419
Insurance	241	298	549	220
Property taxes	181	199	153	161
Loss on disposal of capital assts	-	1	-	199
Unrealized loss on write-down of investments	-	85	-	2,755
Amortization of capital assets	8,408	11,557	9,686	10,922
Provisions	5,961	-	1,897	-
	102,690	105,677	97,086	100,355
EXCESS OF REVENUE OVER EXPENSE	$ 350	$ 8,063	$ 347	$ 4,190

Restricted funds include Restricted Operating, Restricted Capital, Sponsored Research, Special Purpose and Scholarships, Bursaries and Other Trust Funds. The revenue is provided to the University by third parties who place specific requirements on the funding. There is no excess of revenue over expense on these funds as any unused funds at the end of the fiscal period are transferred to Deferred Contributions and/or Deferred Capital Contributions. These deferred amounts can only be accessed in future years by meeting the restrictions of the funding.

Note 19 Related Party Transactions

a) University of Lethbridge Foundation

On January 27, 1999 the Trustees approved the wind-up of the Foundation in anticipation of the repeal of the Advanced Education Foundations Act. The Trustees have requested Alberta Learning to make provisions in legislation that any residual assets of the Foundation and any bequests, testamentary gifts or similar benefits to the University of Lethbridge Foundation become the property of the Board of Governors of The University of Lethbridge. Consequently, there was no activity in the Foundation during the year and no assets were held by the Foundation as at March 31, 2004.

b) Province of Alberta

The University of Lethbridge is a Provincial Corporation as all members of the Board of Governors are appointed either by statute or by a combination of orders by the Lieutenant Governor in Council and the Minister of Alberta Learning. Transactions between the University and the Province of Alberta are disclosed as follows:

	2004			2003
	Unrestricted	Restricted	Total	Total
Alberta Learning				
Operating grant	$ 45,285	$ -	$ 45,285	$ 42,272
Operations and maintenance grant	1,383	-	1,383	-
Access grants	6,388	-	6,388	7,000
Performance funding	487	-	487	-
Other	95	5	100	282
Total Alberta Learning	53,638	5	53,643	49,554
Other provincial ministries, departments and agencies				
Alberta Heritage Foundation for Medical Research	-	987	987	1,041
Alberta Infrastructure	-	1,355	1,355	2,338
Alberta Ingenuity	-	244	244	-
Alberta Innovation and Science	-	650	650	607
Alberta Gaming	325	218	543	473
Alberta Agriculture	-	259	259	63
Other	-	94	94	79
Total other provincial ministries, departments and agencies	325	3,807	4,132	4,601
Total contributions received	53,963	3,812	57,775	54,155
Less: Deferred contributions	-	(1,344)	(1,344)	(1,744)
Revenue from provincial government	$ 53,963	$ 2,468	$ 56,431	$ 52,411

Restricted grants are recognized as revenue in the period in which the related expenses are incurred.

The total contributions received for unrestricted grants includes $1,278 in accounts receivable.

In 2004 and 2003 the University participated in offering certain courses with other public colleges, universities and institutes. The revenues and expenses incurred for these courses have been included in the statement of operations but have not been separately disclosed.

The University has an arrangement with Athabasca University and University of Calgary to offer a graduate program in Counselling. These transactions were entered into on the same business terms as with non-related parties and are recorded at their fair value amounts. The University's share of revenue and expenses have been recorded using the equity method of accounting (Note 4).

Note 20 **Pledges Receivable**

Pledges to the University at March 31, 2004 are $6,340 (2003 - $530). These pledges are expected to be honoured over the next several years and have not been recorded as a receivable in the financial statements.

Note 21 **Commitments and Contingencies**

(a) The University, in the conduct of its normal activities, is a defendant in a number of legal proceedings. While the ultimate outcome of these proceedings cannot be predicted at this time, it is the opinion of management and the University's legal counsel that adequate provision for these proceedings has been made in the University's accounts. It is believed that the resolution of the proceedings will not have a material effect on the financial position of the University, however, should any additional loss result from the resolution of these proceedings, such amounts would be charged against earnings in the year incurred.

(b) The University is one of fifty-six members of CURIE, the Canadian Universities Reciprocal Insurance Exchange, a self-insurance reciprocal established to share the insurable property, liability and errors and omissions risks of member universities. The projected cost of claims against the exchange is based on actuarial projections and is funded through members' premiums. As at December 31, 2003 CURIE had a surplus of $100 (2002 - $4,072). This surplus is an accumulation of four different underwriting periods. The University participates in three of these underwriting periods, which have an accumulated deficit of $2,492 as of December 31, 2003 (2002 - $1,595 surplus). The University's 0.99% share of this deficiency will be funded through increased premiums.

(c) The University has a ten-year lease on teaching facilities used in Edmonton, expiring in October 2007 with an option to terminate upon six months' notice plus six months' basic rent and occupancy costs based on a proportionate share of total building costs. In fiscal 2004 and 2003 basic rent totalled $90. In 2004 occupancy costs were $97 (2003 - $91). During the year the University also signed a new lease agreement with the Southern Alberta Institute of Technology for a two-year period expiring June 2005. Office and administrative rental charges under this lease are $16 annually while classrooms are leased at an hourly rate. The cost of office and administration space in 2004 was $13 (2003 - $4) and the cost of classroom space totalled $59 (2003 - $30).

(d) In order to manage its exposure to the volatility in the electrical industry, the University entered into a five-year contract (expiring December 31, 2005) to fix its electrical cost at an average cost of $0.115 per KWh. The total cost for the year ending March 31, 2005 is expected to be $2,300. The cost of electricity included in these statements for fiscal 2004 is $2,142 (2003 - $1,964).

(e) During the year the Board of Governors approved, in principle, a project to construct a Regional Health and Wellness Centre at a cost of $20,650 to be completed in 2007. The proposed project is to be funded by the City of Lethbridge ($5,300), fundraising ($5,000) and University contributions ($10,350). As at March 31, 2004, the University had contractual commitments totalling $2,326 related to various capital projects including the Regional Health and Wellness Centre. These commitments are not recorded in the financial statements.

(f) Under agreements and/or contracts with a number of employee groups, the University provides Professional Supplement funds for activities related to teaching, research, professional development or general University-related duties. At March 31, 2004 approximately $755 (2003 - $604) of such allowances is committed for expenses not yet incurred.

Note 22 Adjustment to Prior Period

Prior to the current fiscal year, unspent Professional Supplement entitlements available to certain employees under an employee agreement or contract were recorded as a liability and as a benefits expense. Professional Supplement policy allows employees to pre-spend future years' entitlements to purchase capital assets and these drawings were shown as a prepaid expense. During the current year, the University changed this accounting policy and now records Professional Supplement only as it is spent. This change has been applied retroactively and the financial statements of prior years have been restated as summarized in the following table.

	2003		
	As Previously Reported	Prior Period Adjustment	As Restated
Statement of Financial Position			
Increase (decrease) in:			
Prepaid expenses	$ 495	$ (125)	$ 370
Accounts payable and accrued liabilities	4,865	(729)	4,136
Unrestricted net assets	12,854	604	13,458
Statement of Operations			
Increase (decrease) in:			
Employee benefits	9,032	(76)	8,956
Excess of revenue over expense	4,114	76	4,190

Note 23 Comparative Figures

Certain 2003 figures have been reclassified to conform to 2004 financial statement presentation.

Note 24 Approval of Financial Statements

These financial statements have been approved by the Board of Governors following the recommendation of the Audit Committee.

THE BANFF CENTRE FOR CONTINUING EDUCATION

Financial Statements

For the year ended March 31, 2004

Auditor's Report

Financial Statements:

- Balance Sheet
- Statement of Operations and Changes in Net Assets
- Statement of Cash Flows
- Notes to the Financial Statements

Deloitte

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Auditors' Report

To **The Board of Governors of**
The Banff Centre for Continuing Education:

We have audited the balance sheets of **The Banff Centre for Continuing Education** as at March 31, 2004 and 2003 and the statements of operations and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Centre's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Calgary, Alberta
May 28, 2004

Chartered Accountants

Member of
Deloitte Touche Tohmatsu

THE BANFF CENTRE FOR CONTINUING EDUCATION
Balance Sheet
As at March 31, 2004
(in thousands of dollars)

	As at March 31, 2004	As at March 31, 2003
Assets		
Current assets:		
Cash	$ 1,296	$ 434
Short-term investments (Note 6)	223	1,407
Accounts receivable (Note 3)	1,907	1,693
Inventories	426	458
Prepaid expenses	215	191
	4,067	4,183
Long-term pledges receivable (Note 4)	313	-
Note receivable (Note 5)	494	473
Long-term investments (Note 6)		
Endowments	6,543	6,198
Other	-	190
Capital assets (Note 7)	50,106	48,328
	$ 61,523	$ 59,372
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 2,012	$ 2,208
Accrued vacation pay	1,084	1,054
Unearned revenue (Note 8)	1,438	683
Deferred contributions (Note 9)	2,460	1,644
Long-term debt due within one year (Note 10)	3,519	3,893
	10,513	9,482
Deferred contributions (Note 9)	1,086	1,458
Long-term debt (Note 10)	8	64
Deferred expended capital contributions (Note 11)	33,748	34,184
	45,355	45,188
Net assets		
Operating net assets (Note 12)	9,625	7,986
Endowments (Notes 6 & 13)	6,543	6,198
	16,168	14,184
	$ 61,523	$ 59,372

The accompanying notes are part of these financial statements.

THE BANFF CENTRE FOR CONTINUING EDUCATION

Statement of Operations and Changes in Net Assets

For the year ended March 31, 2004

(in thousands of dollars)

	Year Ended March 31, 2004	Year Ended March 31, 2003
Revenues		
Accommodation	$ 13,282	$ 12,840
Grants (Note 9 and 15)	14,191	13,815
Sales, rentals and services	6,967	6,462
Tuition and related fees	4,968	5,045
Donations and other contributions	2,774	2,742
Investment income	68	39
Amortization of deferred expended capital contributions (Note 11)	1,499	1,657
	43,749	42,600
Expenses		
Salaries, wages and benefits (Note 16)	22,688	21,508
Purchased services	2,980	3,623
Travel and related	1,355	1,503
Scholarships and financial assistance	3,710	2,953
Facility operating	3,364	3,310
Supplies and materials	4,053	3,928
Vehicles and equipment	1,217	1,304
Marketing and promotion	601	514
Financial costs	654	661
Amortization of capital assets	2,182	2,209
(Gain)/Loss on disposal of capital assets	(694)	2
	42,110	41,515
Net income	1,639	1,085
Net assets at beginning of year	14,184	13,137
Endowment contributions (Note 13)	173	450
Endowment - indexed gain (loss) (Note 13)	172	(488)
Net assets at end of year	$ 16,168	$ 14,184

The accompanying notes are part of these financial statements.

THE BANFF CENTRE FOR CONTINUING EDUCATION
Statement of Cash Flows
For the year ended March 31, 2004
(in thousands of dollars)

	Year Ended March 31, 2004	Year Ended March 31, 2003
Cash flows from (used in) operating activities		
Net income	$ 1,639	$ 1,085
Non-cash transactions:		
Amortization of deferred expended capital contributions	(1,499)	(1,657)
Amortization and (gain)/loss on disposal of capital assets	1,488	2,211
Other	(21)	-
Changes in non-cash working capital (Note 14)	554	1,151
Changes in pledges receivable (Note 4)	(485)	337
Changes in deferred contributions related to operations (Note 9)	594	(414)
Net cash from (used in) operating activities	2,270	2,713
Cash flows from (used in) investing activities		
Acquisition of capital assets (Notes 11 & 12)	(4,036)	(3,438)
Proceeds from sale of capital assets	771	-
Disposition/(acquisition) of short-term investments	1,184	(1,407)
Disposition/(acquisition) of long-term investments	17	(427)
Net cash from (used in) investing activities	(2,064)	(5,272)
Cash flows from (used in) financing activities		
Capital contributions received (Note 9)	913	2,255
Principal repayments of long-term debt (Note 12)	(430)	(448)
Endowment contributions received (Note 13)	173	450
Net cash from (used in) financing activities	656	2,257
Increase (decrease) in cash	862	(302)
Cash at beginning of year	434	736
Cash at end of year	$ 1,296	$ 434

The accompanying notes are part of these financial statements.

Note 1 Authority and purpose

The Banff Centre for Continuing Education (the "Centre") operates under the authority of the Post-Secondary Learning Act, 2003, Chapter P-19.5. The Centre is a registered charity and is exempt, under Section 149 of the Income Tax Act, from payment of income tax.

The Centre provides public access to a broad range of learning and professional development experiences with emphasis on the arts, leadership development, and the exploration of issues related to mountain culture and the environment.

Note 2 Significant accounting policies and reporting practices

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and the following significant accounting policies and reporting practices:

(a) Revenue Recognition

The Centre follows the deferral method of accounting for contributions.

Operating grants are recognized as revenue in the period when receivable. Operating grants received for a future period are deferred until that future period.

Amounts received for tuition fees and sales of goods and services are classified as unearned and recognized as revenue at the time the goods are delivered or the services are provided.

Externally restricted non-capital contributions are deferred and are recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for the purposes designated by external parties.

Any externally restricted contributions containing stipulations that the amounts and related earnings should be retained as net assets or that the contributions should not be expended are recorded as direct increases in net assets. Such stipulations would include contributions made for endowment purposes or to be used to acquire non-amortizable property.

Externally restricted capital contributions are recorded as deferred contributions until the amount is invested in capital assets. Amounts invested representing externally funded capital assets are then transferred to deferred expended capital contributions. Deferred expended capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded. The related portion of amortization expense and capital contributions revenue are matched to indicate that the related amortization expense has been funded externally.

Unrestricted contributions are recognized as revenue when received.

Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

(b) Scholarships and Financial Assistance

Scholarships and financial assistance include payments to resident artists and other participants for tuition fees, accommodation and other financial aid.

(c) Inventories

Inventories held for resale are valued at the lower of cost and net realizable value. Inventories held for consumption are valued at the lower of cost and replacement value.

(d) Pledges Receivable

Pledges receivable are recorded as assets when the amount to be received can be reasonably estimated and ultimate collection is reasonably assured.

(e) Long-term Investments

Long-term investments are recorded at cost. Gains and losses on investments are recognized at liquidation, or when there is a permanent impairment in the value of an investment.

(f) Capital Assets

Capital assets are recorded at cost, except donated assets, which are recorded at fair value. Capital assets, except property under development and artwork collection, are amortized on a straight-line basis over the estimated useful lives of the assets as follows:

Land improvements	20 years
Buildings and improvements	50 years
Furnishings and equipment	10 years
Technical equipment	5 years

The useful lives have been estimated by management and will inevitably differ from actual, perhaps significantly, resulting in amortization expense not matching utilization over the assets' lives. No amortization expense is recorded in the year of acquisition.

Artworks are recorded at cost if purchased or at the appraised value at the time of donation. Artworks are not amortized. The artwork collection is made up of numerous pieces of art that are held for display in the Walter Phillips Gallery and other public areas of the Centre.

(g) Employee Future Benefits

The Centre's pension plans are multiemployer plans and are accounted for using the defined contribution method. Under this method contributions made during the period are charged as pension expense to current operations and included in salaries, wages and benefits.

(h) Use of Estimates

These financial statements are prepared in accordance with Canadian generally accepted accounting principles which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Note 3 Accounts receivable

	March 31, 2004	March 31, 2003
Trade accounts receivable	$ 161	$ 465
Other amounts due	171	23
Deferred scholarships	1,353	1,155
	1,685	1,643
Current portion of pledges receivable (Note 4)	222	50
	$ 1,907	$ 1,693

Note 4 Long-term pledges receivable

	March 31, 2004	March 31, 2003
Non-capital pledges	$ 535	$ 50
Less: Current portion of pledges receivable (Note 3)	222	50
	$ 313	$ -

Note 5 Note receivable

During 2001, the Centre advanced $473,000 to Rocky Mountain Housing Cooperative. The amount plus interest at prime minus 3% is repayable in 2019 and is unsecured. As part of this transaction the Centre agreed to lease 12 accommodation units until 2019. This lease commitment of $3,476,000 is included in the schedule of lease commitments in Note 10.

Note 6 Investments

(a) Short-term

Short-term investments comprise Money Market Mutual Funds and Treasury Bill Funds the market value of which approximates the carrying value represented on the financial statements.

(b) Long-term

(i) Endowments

	March 31, 2004		March 31, 2003	
	Cost	Market Value	Cost	Market Value
Cash & S.T. Investments	$ 420	$ 420	$ 731	$ 731
Government debt	1,645	1,671	1,265	1,260
Corporate debt	1,037	1,067	893	894
Equities	3,441	3,910	3,309	2,874
	$ 6,543	$ 7,068	$ 6,198	$ 5,759

(ii) Other

Other investments at March 31, 2003 included $47,000 due from the Banff School of Advanced Management ("BSAM"). The amount was unsecured and non-interest bearing. This amount was repaid in 2003/2004. The Chief Executive Officer of the Centre was a director of BSAM.

Note 7 Capital assets

	March 31, 2004			March 31, 2003		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land improvements	$ 2,703	$ 2,032	$ 671	$ 2,615	$ 1,953	$ 662
Buildings and improvements	72,505	28,284	44,221	70,294	26,960	43,334
Furnishings and equipment	20,814	17,143	3,671	19,552	16,813	2,739
Equipment under capital lease	503	98	405	503	48	455
Artwork collection	1,138	-	1,138	1,138	-	1,138
	$ 97,663	$ 47,557	$ 50,106	$ 94,102	$ 45,774	$ 48,328

Land is leased from the Government of Canada. The current lease expires on July 31, 2043, and is renewable.

Note 8 Unearned revenue

	March 31, 2004	March 31, 2003
Accommodation deposits	$ 490	$ 213
Other sales and services	948	470
	$ 1,438	$ 683

Note 9 Deferred contributions

	March 31, 2004	March 31, 2003
Deferred contributions at beginning of year	$ 3,102	$ 4,090
Contributions received:		
Capital	913	2,255
Operating	17,455	16,670
Endowment income (loss) capitalized (Note 13)	172	(488)
Transferred to operations		
Grants (Note 15)	(14,191)	(13,815)
Donations and other contributions	(2,774)	(2,742)
Financial income	(68)	(39)
Transferred to deferred expended capital contributions (Note 11)	(1,063)	(2,829)
Deferred contributions at end of year	$ 3,546	$ 3,102
Deferred contributions are comprised of:		
Capital	$ 1,308	$ 1,458
Non-capital	2,238	1,644
	3,546	3,102
Less: Current portion of non-capital deferred contributions	2,460	1,644
	$ 1,086	$ 1,458

Note 10 Long-term debt and lease commitments

	March 31, 2004	March 31, 2003
Term Loan - Professional Development Centre	$ 3,463	$ 3,738
Capital Leases	64	219
	$ 3,527	$ 3,957
Less: Current portion	3,519	3,893
	$ 8	$ 64

Future minimum repayments are as follows:

Year Ending March 31	Professional Development Centre	Capital Leases Principal	Capital Leases Interest	Operating Leases
2005	$ 275	$ 55	$ 2	$ 626
2006	3,188	8	1	502
2007	-	-	-	374
2008	-	-	-	251
2009 to 2019	-	-	-	2,688
	$ 3,463	$ 63	$ 3	$ 4,441

The term loan is unsecured and is structured with fixed rate principal repayment of $275,000 per annum until the renewal date on December 17, 2005 at an interest rate of 4.15%. Under certain circumstances, the lender has the right to demand an immediate repayment. Accordingly, all amounts outstanding under this loan have been classified as a current liability in accordance with standards set by the Canadian Institute of Chartered Accountants.

The interest expense on long-term debt for the year ended March 31, 2004 was $167,500 (year ended March 31, 2003 - $165,900). Interest expense approximates interest paid for both years presented.

The capital leases are for a computer network (maturity date of June 18, 2004 at an interest rate of 8.01%), an AS/400 server (maturity date of February 8, 2005 at an interest rate of 5.48%) and a trunk tip/ring (maturity date of February 18, 2006 at an interest rate of 4.13%).

Note 11 Deferred expended capital contributions

	March 31, 2004	March 31, 2003
Deferred expended capital contributions at beginning of year	$ 34,184	$ 33,015
Transferred from deferred contributions to acquire capital assets (Note 9)	1,063	2,829
Loss on disposal of capital assets	-	(3)
Transferred to revenue	(1,499)	(1,657)
Deferred expended capital contributions at end of year	$ 33,748	$ 34,184

Note 12 Operating Net Assets

	Unrestricted	Investment in Capital Assets	March 31, 2004	March 31, 2003
Operating net assets at beginning of year	$ (2,201)	$ 10,187	$ 7,986	$ 6,901
Net income	1,639	-	1,639	1,085
Internally funded:				
Capital acquisitions	(2,973)	2,973	-	-
Amortization and gain on disposal of capital assets	758	(758)	-	-
Repayment of long-term debt	(430)	430	-	-
Operating net assets at end of year	$ (3,207)	$ 12,832	$ 9,625	$ 7,986

Note 13 Endowments

	March 31, 2004	March 31, 2003
Endowment book value at end of year before transfers for scholarships, awards and other support	$ 6,543	$ 6,198
Less endowment book value at beginning of year	(6,198)	(6,236)
Net change in book value	345	(38)
Less contributions	(173)	(450)
Gross earnings (loss)	172	(488)
Loss (income) capitalized	(172)	488
Endowment earnings receivable (Note 6)	$ -	$ -

Note 14 Changes in non-cash working capital

	Year Ended March 31, 2004	Year Ended March 31, 2003
Accounts receivable (excluding pledges)	$ (43)	$ 421
Inventories	32	(101)
Prepaid expenses	(24)	29
Accounts payable	(196)	401
Accrued vacation pay	30	98
Unearned revenue	755	303
	$ 554	$ 1,151

Note 15 Grants

	Year Ended March 31, 2004	Year Ended March 31, 2003
Base Operating Grant: Province of Alberta / Learning	$ 11,154	$ 10,873
Other grants:		
Province of Alberta	129	150
Government of Canada / National Arts Training Contribution	1,440	1,350
Other Government of Canada	1,468	1,442
	3,037	2,942
	$ 14,191	$ 13,815

Note 16 Salaries, wages and benefits

	Year Ended March 31, 2004	Year Ended March 31, 2003
Pension contributions included in salaries, wages and benefits	$ 861	$ 730

Note 17 Salary Disclosure

In accordance with The Treasury Board's Salary and Benefits Disclosure Directive, the salaries and benefits of the Centre's senior decision-making management are disclosed as follows:

	Year Ended March 31, 2004			Year Ended March 31, 2003
	Salaries (1)	Benefits and Allowances (2)	Total	Total
Board of Governors (3)	$ 0	$ 0	$ 0	$ 0
President (4)	208	14	222	201
Vice-Presidents				
Programming	153	10	163	153
CFO	143	13	156	146
Hospitality Operations	127	13	140	132
Mountain Culture	110	12	122	121
	$ 741	$ 62	$ 803	$ 753

(1) Salaries include regular base pay and any other direct cash remuneration.

(2) Benefits and allowances include the Centre's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision care, out of country medical benefits, group life insurance, accidental disability and dismemberment, short and long-term disability plans, professional memberships and tuition.

(3) The Chair and members of the Board of Governors receive no remuneration for the services that they provide to the Centre.

(4) Benefits reported for the President do not include personal use of a vehicle leased by the Centre.

Note 18 Financial Instruments

Financial instruments are comprised of cash, short-term investments, accounts receivable, note receivable, long-term pledge receivable, accounts payable, accrued vacation pay, and long-term debt including obligations under capital leases. The carrying amounts of cash, short-term investments, accounts receivable and accounts payable approximate fair value due to their short-term maturity. The carrying value of the note receivable subject to a floating rate of interest also approximates fair value. In management's opinion the debt obligations subject to fixed rates of interest do not differ significantly from their carrying values, as the Centre would only be able to refinance these obligations under similar terms and conditions as currently exist.

Credit risk - The Centre's accounts receivable and long-term pledge receivable are subject to credit risk due to the nature of the Centre's customers and donors. The carrying value of accounts receivable and long-term pledge receivable reflects management's assessment of the credit risk associated with these customers and donors.

Note 19 Prior Year Figures

Certain prior year figures have been reclassified to conform to the current year's presentation.